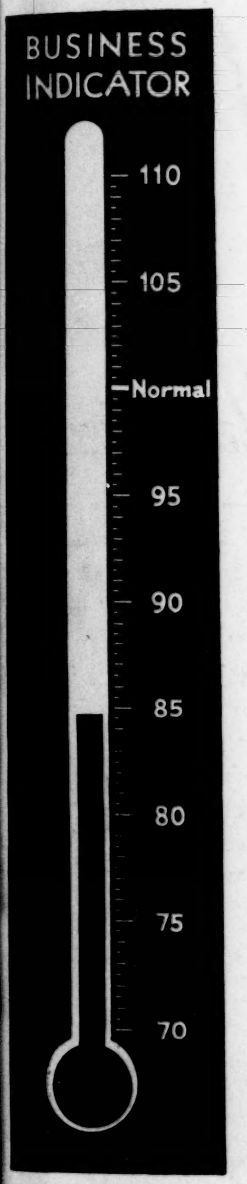
OCT 27 1930

OCT 29, 1930

THE BUSINESS WEEK:



Undismayed by the indecision of business leadership, financial conservatism, and the confusion of political cross-currents here and abroad, the fundamental though blind forces of human needs are again slowly laying the basis for future recovery. . . . The mass of final buyers are more keenly alive to bargain values offered by energetic merchandisers than are manufacturers who are offered the lowest raw material prices in many years. Consumption eats steadily into supplies as industrial production lags. . . . Even in building the clear signs of revival in residential construction indicate that the ultimate consumer is in the market in many sections of the country. . . . Despite political uncertainties abroad, foreign users of American cotton recognize that this basic material is cheap and, with praiseworthy assistance from American financial sources, are buying it abundantly. . . . Though, as the decline in our index this week from 87.1% of normal to 84.7% suggests, the general measures of gradual improvement are wavering and confused, many favorable factors are to be seen beneath the surface. . . . Commodity prices in recent weeks have tended to hold up against the deflation process still under way in securities. . . . As these fundamental forces become more apparent, business is beginning to reconcile itself to the fading hope of any decisive large-scale action toward recovery from above, and is realizing the necessity of aggressive individual action from the bottom.

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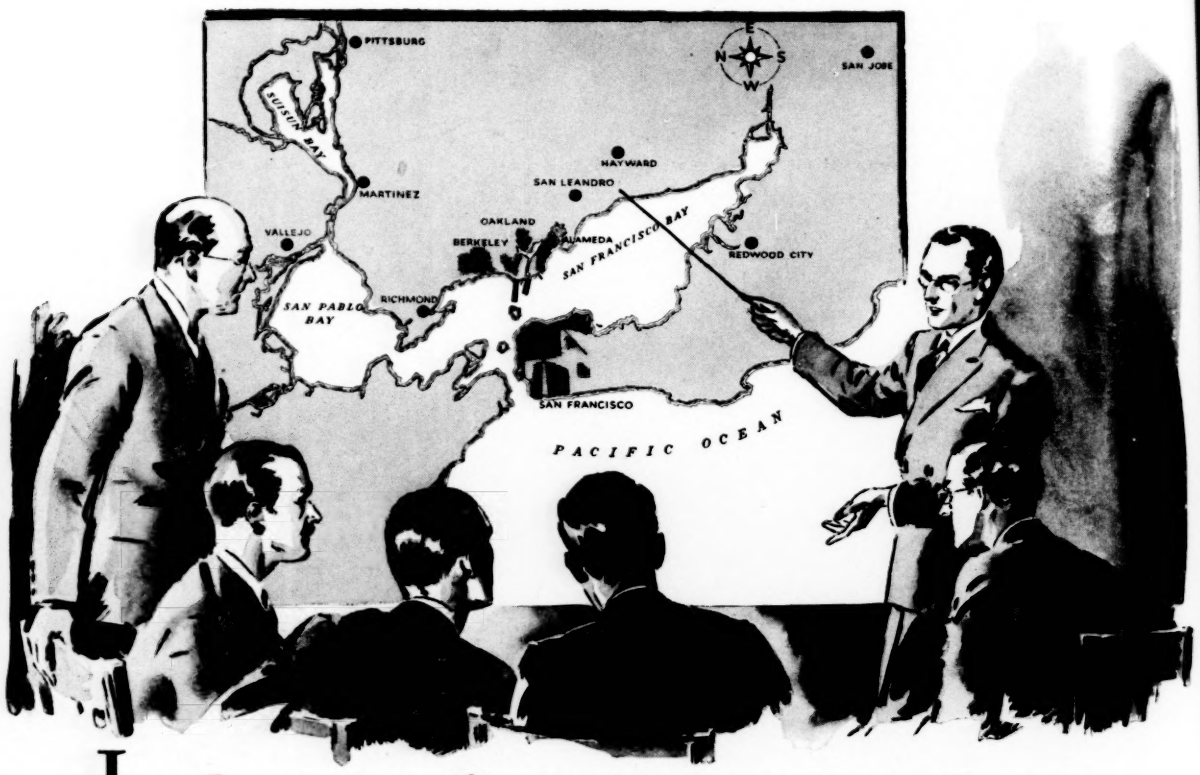

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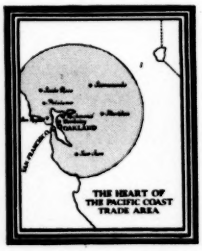

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What's In This Issue —And Why

Unemployment

NATION, states, cities, set seriously to work laying plans to cure unemployment in so far as possible, and to alleviate suffering among the jobless this winter. The President draws upon his experience in 1921, drafts Arthur Woods to help him. *(pages 5-6)*

Insurance

LIFE insurance salesmen have turned depression into a sales argument, and successfully, too, showing increase over 1929. *(page 10)*

Mortgage Bonds

BUSINESS revival depends, as has so often been said, in large measure upon pickup in building. Pickup in building has been delayed in part by the bad odor emanating from some building financing of recent years. *(page 11)*

Rubber

LEADERS in the industry view the collapse of rubber prices as not an unmixed evil. They believe it may lead to greater efficiency of bigger plantations, may discourage overproduction by small gatherers. *(page 26)*

Copper

STOCKS of refined copper are highest since 1921; prices are lowest since 1896. There must be curtailment, either voluntary or forced. *(page 9)*

Orange Juice

BOTTLED orange juice will be delivered with the morning milk by National Dairy Products Corp. Extracted and frozen in Florida, it will be shipped to distributing points, there unfrozen, bottled. *(page 17)*

Bread

ATLANTIC & PACIFIC has cut the price of bread; National Tea Co. follows suit. Commercial bakers say they can't do it. *(page 17)*

Salmon

BRITISH COLUMBIA salmon canners, faced with Russian and Japanese competition, nevertheless are holding their own fairly well; will pack almost a record catch this year. *(page 16)*

Taxis

WAR is on in the taxicab business. Yellow taxi stops buying yellow cabs. General Motors, which makes Yellow cabs, retaliates by operating fleets—and the end is not yet. *(page 22)*

Buses

RAILROADS continue to buy into bus lines, sometimes openly, sometimes through complicated financial maneuvers. The whole subject will be brought into the light at I. C. C. hearings starting Nov. 17. *(page 13)*

Aviation

FIRST coast-to-coast flying over a single line begins Nov. 1; the industry has high hopes it will stimulate air travel. *(page 25)*

Tunnel

DETROIT–WINDSOR open Nov. 1 the first international vehicle tunnel. The traffic is a rich prize—23 million trips a year; ferry, bridge and tube will fight for it. *(page 18)*

Dairy Mergers

MERGERS continue at a dizzying rate in the dairy industry. Borden in 1930 has acquired 41 companies, National Dairy 14 major units, Beatrice 19 units. Smaller corporations follow their lead. *(page 14)*

Germany

GERMANY'S smooth formula for boosting foreign trade—bring down wages, to bring down prices, to bring in bargain-hunters—meets an unexpected test as Berlin metal workers strike against wage cuts ahead of price cuts. But price-slashing continues in other industries. *(page 7)*

Bourse

FRANCE has money, the rest of the world has investment opportunities. France can't take advantage of some of them because political considerations rule their securities off the Bourse. Bourse reformers would end government supervision of foreign listing. *(page 21)*

Isn't it time to look into office costs?

WHEN business is booming—sales increasing and profits mounting, not much attention is paid to ways of reducing office costs. Such periods foster unnecessary costs, which grow and expand unnoticed.

But when the turn comes—when demand falls off and trade declines, cost-consciousness is quickened and costs are scrutinized more closely.

Isn't this an opportune time to check up on costs?

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 25, 1930

Government Joins Industry In Effort to Increase Jobs

Hoover Committees Will Coordinate Relief Measures, Push Public Construction

TOUCHED up by the spur of unseasonably cold weather that outfroze 50 years of comparable records, plans for unemployment relief and prevention went forward with new vigor this week. The fresh reminder that there are such things as long, cold winters helped to translate into action still more of the talk that has been going on since the age-old problem again became acute more than a year ago. But circumstances dictated that relief measures, rather than prevention theories, must have first attention. They got it this week—most notably from President Hoover.

Hoover Quick to Act

Of chief national import was the quick acceptance by President Hoover of the American Federation of Labor's appeal to him for aid. The annual convention of the A. F. of L. at Boston adopted a comprehensive plan for unemployment relief which called for cooperative participation by public and private groups headed by the President. Mr. Hoover was asked to appoint a national committee which could coordinate all public and quasi-public activities having an influence upon employment.

Two days later, President Hoover appointed Secretaries Lamont, Davis, Wilbur, Hurley, Hyde, and Mellon and Governor Meyer of the Federal Reserve Board to be members of a committee whose duty it is: to obtain cooperation of governors and employment organizations of the several states and local communities; to develop unemployment prevention and relief measures with the aid of national industries; to direct federal employment in accelerating public works programs.

Simultaneously with the first meeting of this group on Tuesday of this week, the President announced that Col. Arthur Woods—former New York City police commissioner, an organizer of employment agencies for World War veterans and engaged in unemployment relief work during 1922—had been asked to direct the development of a national organization to handle the unemployment problem. The cabinet committee is to act in an advisory capacity to Colonel Woods' organization; particularly, is to coordinate governmental activities with its program.

Among the definite suggestions to be considered by the 2 committees are: That they get Congressional approval for removing certain restrictions which now prevent immediate expansion of public works programs; that they obtain cooperation between industries and local community organizations; that drought relief be continued as a part of the unemployment problem. Secretary of War Hurley stated that the War Department is going to reduce workday hours to provide jobs for more workers on the Mississippi Valley flood control project; that the Department will spend all its available money in ways which affect employment.

Directly after the formation of the cabinet group Secretary Lamont was quoted as saying that present conditions hardly justified the emergency measures which were adopted in 1921. At that time, when from 3½ to 5 million were estimated to be unemployed, President Harding summoned Mr. Hoover, then Secretary of Commerce, to head an emergency commission which developed nation-wide relief organizations and did much to improve conditions.

Emergency Measures Again

On Tuesday the White House estimated unemployment at about 3½ million—apparently a reasonable guess about mid-way between the admittedly incomplete Census Bureau figure of 2½ million, the A. F. of L. total of 3,700,000, the 5 million quoted by Professor Squires of Chicago, and the unlimited totals beyond used by Democratic campaign orators. The appointment of Colonel Woods to develop an unemployment commission indicates that the President is convinced emergency conditions are upon us; that need of immediate and effective relief measures

Wide World

THE UNEMPLOYMENT COMMITTEE

Left to right are Eugene Meyer, governor of the Federal Reserve Board, Secretaries Wilbur, Hurley, Mellon, Lamont, and Davis. Secretary Hyde, the seventh member, is not in the photograph. They will coordinate all activities for the relief of unemployment, act in an advisory capacity with Arthur Woods

is as great now as in 1921; that the methods he found so successful then are to be given a chance to prove themselves again.

Under the active supervision of Governor Emmerson, Illinois has undertaken an unemployment relief program which has attracted wide attention. A conference of business leaders has been held; the governor has been authorized to appoint a representative committee to coordinate action of all existing relief agencies, to work out new plans, to enlist added help, to sponsor public calls for funds.

Prof. Squires' Estimates

Professor Benjamin M. Squires, Chicago's outstanding labor student and arbitrator, estimates Illinois unemployed at 450,000 to 500,000; places U. S. total at 5 million. The state is already speeding public works programs; has now awarded $50 millions of contracts; has begun work on several million dollars' worth of roads not scheduled until 1931.

Illinois employers are being urged to eliminate overtime, to shorten working hours, to spread work among many workers. Reduction of wages is not being considered as a possible measure. John Fitzpatrick, president of the Chicago Federation of Labor and a member of the conference, suggested that the use of labor-saving machinery be avoided during the emergency. He claims that 30% of Chicago's union men are jobless; 50% of the building tradesmen; 14,000 of 28,000 carpenters are idle. "The worst is yet to come; it is getting worse every day," is his belief.

Private Donations Asked

Another Chicago development was the decision of 40 business men, members of the Building Construction Employers Association, to ask each of 10,000 men to contribute $200 a month for 6 months for unemployment relief. This $12-million fund would be distributed through some organized charity, not for general charitable purposes, but solely for the relief of distress caused by unemployment. The group also appointed a committee to wait on President Hoover to enlist his services in getting work started on Chicago's new $14 million post office, government contracts for which have not yet ben let.

Still another means for increasing Chicago employment was brought forward in City Council last week when Alderman Horman asked that measures be taken to compel 4 railroads to begin work on construction contracts with the city which have been in default for many years. In these defaulted contracts, according to Alderman Horman, the Pennsylvania, Chicago & Western Indiana, Milwaukee, and Nickel Plate roads agreed to depress the street and elevate their tracks in exchange for permission to cross a public thoroughfare.

A move similar to that started in Chicago is under way in New York where firm members of the Stock Exchange are to be asked to contribute $150,000 weekly for the next 6 months to supply relief for unemployed, many of whom are former Wall Street workers. Richard P. Whitney, president of the exchange, has been placed at the head of a committee which will solicit funds from the 600 member firms.

While some communities are engaged in organized effort to relieve unemployment, many more still follow the line of least resistance; are simply hoping for the best but making scanty attempts to get it.

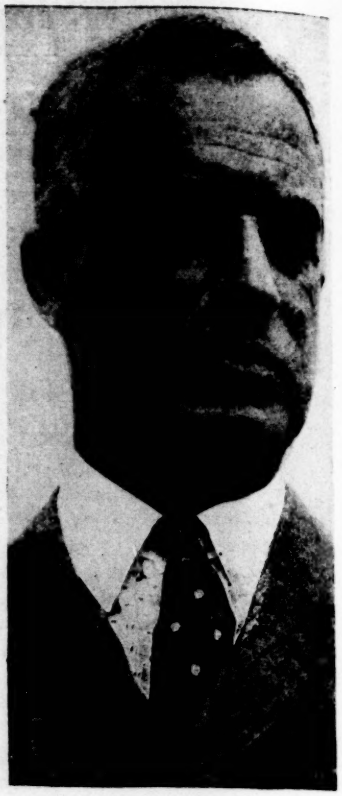
Cleveland Issues Bonds

While Cleveland has, as yet, organized no cooperative unemployment relief activities, individual firms have done considerable in the way of staggering work forces, reducing hours of work and otherwise trying to spread out employment as much as possible. Recently, the City Council voted a $200,000 bond issue to give unemployed citizens at least 3 days' work a week; it is expected that the amount will be increased to $500,000 soon.

A rather unfortunate recent trend, particularly noticeable in Cleveland but probably prevalent to some degree at other points as well, is that of replacing men with women. Women are now operating heavy punch presses for 30¢ an hour, doing the same work for which men have received 60¢. This is thought in many quarters to be preliminary to a thinly disguised wage cut in which the men will be permitted to regain their jobs from the women if they will accept the same rate of pay. Something of this nature was evident in Cleveland and other cities at the close of the 1921 depression.

While some cabinet members work for unemployment relief, another member, Postmaster General Brown, is being accused of contributing to unemployment. Under the supervision of a professional management expert, the Post Office Department has been undergoing a reorganization. One of the results obtained has been to standardize the number of mail deliveries throughout the country. In the business sections of some 50 principal cities there are now 4 deliveries daily; in residential sections all over the country there are 2 daily. Since this new schedule results in a considerable reduction in several cities—from 7 to 4 in New York, from 5 to 4 in Chicago—the number of carriers required has declined. While the Post Office maintains it has laid off no regular carriers, it has refrained in many instances from promoting substitute carriers when vacancies occur on the regular staff.

In New York there are said to be over 100 openings caused by death, retirement, or dismissal which have not been filled from substitute ranks. The letter carrier and mail clerk associations are protesting because it keeps on a part-time work basis, which does not bring them adequate wages, men who have studied for and passed civil service examinations and who dare not look for other work in the face of possible calls for active duty.



International News

ARTHUR WOODS

The former police commissioner of New York and one-time emergency employment director under Harding, will again direct relief work under Hoover

German Wage-Cut Program Hits First Snag in Berlin Strike

Industries Continue Price Reductions in Interest Of Foreign Trade, But Labor Has Begun to Balk

By Special Cable to The Business Week

UNEMPLOYMENT totaling well over 3 millions and destined almost certainly to reach 4 millions before spring, and the walkout of 140,000 metal workers in Berlin, likely to end in a general strike this winter of all the 1 million members of the German metal workers' union, are attracting world attention to German labor troubles.

The Berlin strike affects 276 key plants in the German electrical industry, including the Allgemeine Elektricitaets Gesellschaft, Siemens, Bergmann, and the Berlin Machinenbau. The issue at stake is wage reduction. When existing wage agreements between the Berlin metal trades union and employers terminated 6 weeks ago, employers demanded a 15% reduction in line with the attempted wage-price reduction throughout Germany. Labor refused. Courts pondered, and an award was handed down: 8% cut to workers over 18, 6% to others. According to German law, the two parties are allowed 2 weeks to consider the award but if in that period either party accepts the decision, the Labor Minister has the right to declare the award binding, after which striking becomes illegal. Industrialists accepted the award within the limit, but politics prevented Labor Minister Stegerwald from enforcing it.

The move is vitally significant in German economy for it is obvious now that it is the opening round of a long and bitter struggle between all German employers and employees.

Both groups endorse the government's efforts to obtain price and wage reductions but, in this case, neither is willing to be the first to make the sacrifice. The metal-working industrialists have promised a 5% price cut if the wage cut is accepted. Berlin industrialists, as well as labor, realize this is a test case. Like labor they are in a good position to hold out. Stocks on hand are large; payroll elimination is welcome for a time. Labor is equally prepared. The metal workers' union is strong and has full coffers to support the strikers. To this can be added the support of the German Federation of Free Trade Unions and the German Federation of Office Employees.

Widespread sympathy is to be expected. Conditions in the metal trade unions are not unlike those in other unions. It just happened that existing wage agreements between the metal trades unionists and employers ended first and that both parties to the contract were prepared to fight.

Enforcement Improbable

Government enforcement of the award is improbable because the Socialists need the support of the workmen whose wages would be cut. Some wage reduction is probable because both labor and capital realize that adjustment is necessary.

Despite this striking opposition in the metal trades, the price reduction movement made several remarkable gains this week. Perhaps the most spectacular reduction was the 6% cut on Ruhr coal. Wednesday, the Upper Silesian coal and Rhine lignite syndicates joined the move, making it virtually national in the coal industry. Wages will remain, by agreement, at present levels until Dec. 1, but the industry anticipates possible wage reductions of as much as 8% or 10% next year. Besides alleviating the position of manufacturing industries, the price cut is expected to strengthen the competitive position of German coal in foreign markets. Cement and tire manufacturers have declared 5% price cuts on top of similar reductions a month ago.

Ford Makes Cuts

Record reduction came with the announcement from the Sunlight Co., subsidiary of Lever Bros., that prices on soaps will be reduced by from 25% to 30%. Ford completed the list with a 7% cut on truck prices, 4% on passenger cars. A wage increase of 4% at the Berlin plant was justified by the theory that better wages mean increased spending power. Germans resent the move, contest the motive.

More than the influence on world labor policies, the effect on Germany's world trade from lower wages and prices interests American executives. Germany, for the first time in 4 years, developed a favorable trade balance in April. By June the favorable balance had reached $119 millions. September

Pacific & Atlantic

CHICAGO FIGHTS UNEMPLOYMENT

Left to right (seated) are John Fitzpatrick and Robert G. Fitchie, president and vice president of the Chicago Federation of Labor; Governor Louis L. Emmerson of Illinois; Agnes Nester, president of the Chicago Women's Trade Union League. Standing, are Barney Cohen, state director of labor; Joel Hunter, executive secretary United Charities; and Alfred Decker, president of the Illinois Manufacturers Association

showed a further rise in exports of $8 millions over August, largely due to expansion in textiles and electric equipment, and brought the total favorable balance for 9 months to $240 millions. This compares with a deficit of $35 millions last year. Germany contends she can meet foreign loan and reparations obligations only by expanding exports. World competitors are alert to this development.

Though both German industry and labor are convinced that price-wage cuts are essential to the maintenance of profitable business and an expanding export market, benefits of more complete rationalization are not being ignored. Competing firms are being merged, or are combining research and sales overhead. Newest announcement is the pooling agreement of Nationale Automobilgesellschaft, controlled by A.E.G. with Buessing, largest manufacturer of heavy trucks. Economists look at the move as an important step in the larger trend toward extensive consolidation throughout the automobile industry.

Locomotive works are not yet being merged, but orders are being placed by the government only with the Big Five —Krupp, Henschel, Borsig, Schwartzkopff, and Hanomag. These firms will be able to carry on with the bulk of the country's trade rather than have all 15 of the locomotive plants in the country competing for skimpy profits.

Steel Cartel Stumped By French Demands

By Special Cable to The Business Week

NEGOTIATIONS to preserve the European steel cartel are at a critical point. Conference follows conference with no agreement. Sales comptoirs, strongly advocated for some time, have now been abandoned because of general inability to control the output of various members in pinched times.

France seems to be the source of the most recent difficulties. Since the failure of all other plans, members of the cartel propose returning to the old basis of production regulation. France, in the original scheme, was allowed 31% of total annual production of 32,287,000 tons. The new plan allots to France 9,468,000 tons, or 35% of new total production. But current French production now exceeds even this figure by 30%. Comparatively free from the depression which has cut into the business of all other cartel members—Belgium, Germany, Luxembourg, the Saar, Austria, Hungary, and Czechoslovakia—France with all domestic plants active refuses to sacrifice so large a part of her marketable production, or to pay fines on above-quota production to benefit competitors.

There now seem to be only 3 courses left: complete dissolution, which not even France wants; a compromise agreement specially benefiting France and, therefore, probably only temporary; or a separate agreement of non-French interests which would make French producers "outsiders" along with the British. Because of the close contact between French and German interests, this plan is not likely to be adopted.

Batá's 5-Day Week Is Test Of Ford Methods in Europe

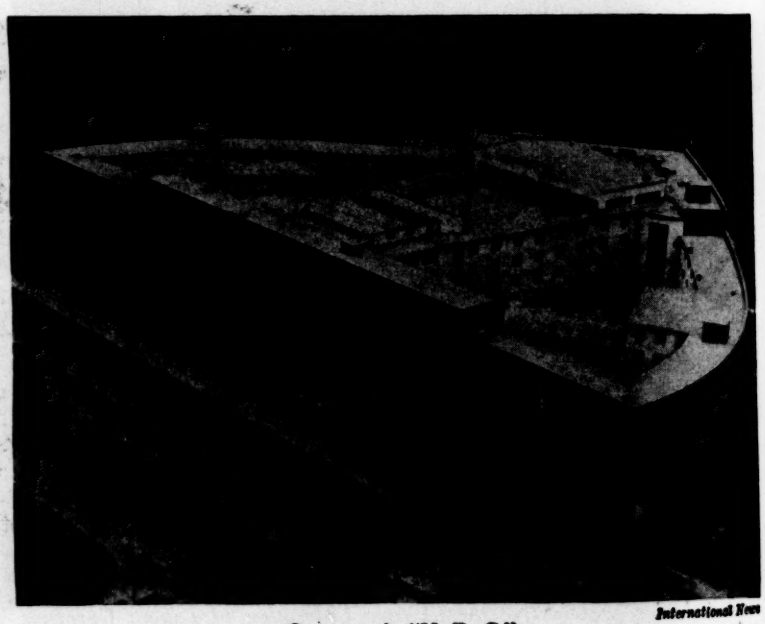
If He Can Maintain Present Prices and Standards On 45-Hour Schedule, Others May Follow Example

By Special Cable to The Business Week

AFFORDING a striking contrast with Germany's serious labor difficulties, Thomas Batá, famed Czechoslovak shoe manuturer (*The Business Week*, Oct. 6), established Oct. 13 a 5-day week of 45 hours for all workmen in his factories at Zlin. This is the first example of a large European industry reducing hours of labor on its own initiative. No change will be made in wages or in shoe price.

All Europe, but particularly Germany, is watching Batá's experiment. In the last 10 years, Zlin has grown from a village of 4,000 to a modern town of 20,000, built around the buildings of the Batá plant which make it the greatest shoe-manufacturing town to be found in all Europe.

Batá's newest move adds to the European repute of Henry Ford's methods of mass production adopted by the shoe manufacturer. Europeans know that Batá's daily output of 100,000 pairs of shoes comes from 36 factory buildings of identical structure and technical equipment, permitting intra-plant competition. They have been told of Mr. Batá's triple check system to prevent the sacrifice of quality to quantity under the mass production program. Briefly this charges each workman not to accept an inferior product from the preceding worker, makes every faulty



International News

GERMANY'S "N. B. C."

The new radio center will be dedicated December 1. Broadcasting studios, a museum, research laboratories and the general offices of the commission are combined in one building in Berlin

International News

LAUNCHED

The "Exochorda"—sister ship of the "Excalibur"—slides into the briny at Camden, N. J. She joins the American Export Line for the Mediterranean trade

product returnable to the department from which it came with the loss deductable from the wages of all workmen of that department; it makes the chief of each workshop responsible for the shoes made in his plant; it provides that packed cases shall be opened at random, with the understanding that if a defect be found, the inspector shall open the lot and inspect every pair of shoes.

By reducing wages of all men in a department if inferior work is done or if production falls below a certain level, Batá has replaced individual effort and responsibility by collective effort and group responsibility.

Workers Share Profits

The profit-sharing system is in operation at Zlin. All workmen over 20 years of age who have been with the firm over one year become interested in the earnings. If the firm makes a profit, the workmen receive 50% of their share immediately; the remaining 50% plus 10% interest is held back for a definite period at interest but is lost completely if the workman leaves the firm and accepts employment in another shoe factory. If the firm operates at a loss, the share of each workman's loss is deducted from his pay immediately.

Batá divides his labor into 5 classes, these being established according to the difficulty and responsibility of the work. They are as follows:

	Weekly Wages
Skilled adult men	$14.40
Adult men helpers	10.80
Skilled adult females	7.20
Adult female helpers and young men from 18 to 21	6.30
Other young workers and girls	4.50

This wage scale, low in comparison with American standards, does not represent the full pay of Batá's workmen. They are protected against accidents and sickness by insurance provided by the firm. Company-owned apartments of 3 rooms and bath can be rented for as little as 45¢ a week. Factory restaurants provide a lunch for a group of 8 for 10¢. Moving picture admission is only 2¢.

German labor is watching the experiment especially because Batá is negotiating for the establishment of a factory in Germany which will employ 10,000 workers. Industrialists in Europe are following closely his policies of creating a vertical industry. Supplementing his shoe factory, Batá controls plants manufacturing lasts, heels, glue, dyes, polishes, laces, boxes. He even operates his own tanneries, a saw-mill, machine shop, paper mill, chemical laboratory, printing office, and rubber plant. He owns 600 retail outlets in Czechoslovakia alone. If he can operate on a 5-day week and maintain present prices and standards, his experiment will go a long way in furthering Ford's move to bring American methods to European industry.

Build Windowless Plant To Increase Efficiency

INDUSTRY'S first windowless factory building, without daylight and embodying advanced ideas in working conditions, is to be constructed this winter for Simonds Saw & Steel Co. of Fitchburg, Mass., by Austin Co. Ths $1½-million structure will cover nearly 2 city blocks, enclose 5 acres of floor space; will have solid walls and roofs broken by neither windows nor skylights. The company will install elaborate lighting, ventilation, noise-absorption systems.

All machines will be orange-colored to increase their visibility and decrease accidents; walls and ceiling will be blue, green, and white. The lighting system will provide ultra-violet rays. The aim is to surround the workmen with ideal conditions. Company experiments indicate the new methods promise an increase in production-efficiency of as much as 35%.

Hundreds of 1,000-watt lamps will provide uniform light intensity, impossible in daylight factories dependent upon weather and window cleanliness. Acoustical walls and ceilings will be employed to eliminate noise; all heavy machines will rest on cork pads insulated from the floor. Air will be changed every 10 minutes, purified, tempered to proper temperature and humidity.

Copper Struggles to Lower Stocks, Highest Since 1921

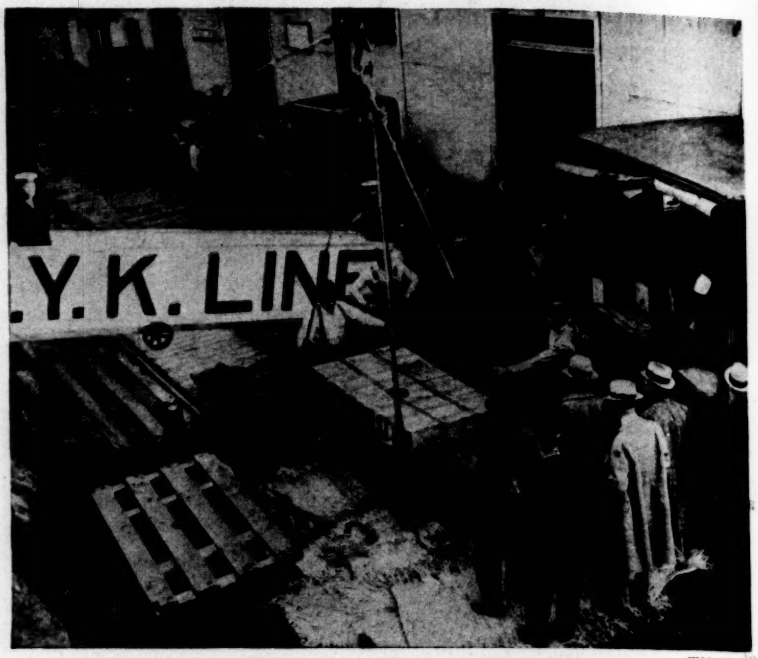
THE troubles of the copper producers appeared to be increasing this week as September statistics revealed another substantial increase in stocks of refined copper and trade reports failed to indicate any real improvement in consumption, notwithstanding the recent general reduction in prices of copper products by fabricators. The only branch of industry which has taken advantage of the situation is the electrical. Other consumers would like to take hold but are refraining from making large forward commitments.

Stocks of refined copper in the hands of North and South American producers on Oct. 1 amounted to 360,650 tons,

an increase of 12,962 tons over the month previous. Some idea of the magnitude of these stocks is gained from the fact that in October, 1928, just prior to the copper "boom," stocks had accumulated to the extent of 45,648 tons. Not since 1921 have stocks been as high as at present. On the other hand, the price of copper (10¢ a pound) has not been so low since 1896.

There has been informal discussion among producers this week aimed at general curtailment of output which, it is generally agreed, must come to pass. As the effort will have to be worldwide in scope, negotiations are likely to proceed slowly. Small producers, many suffering under high costs, would like to have the large operators stand the brunt of the curtailment program. The large low-cost producers see no reason why all producers should not participate equally. A third group, comprising the Canadian and African interests, who are becoming stronger factors in the world's copper trade, want a larger share in the market.

Metal market authorities agree that curtailment, either voluntary or forced, is sure to take place; that the position of the high-cost producers is precarious.



Wide World

JAPANESE GOLD POURS INTO THE COUNTRY

$4,000,000 worth is unloaded from the N.Y.K. liner "Hikawa" at Seattle. Each box contains 103 lbs. of 20-yen pieces—about $25,000. To hold up exchange, Japan has shipped in more gold than any other country—$122 millions in the first 8 months

Depression-Inspired Thrift Helps Life Insurance Sales

DEPRESSION, the stock market crashes, have given life insurance agents arguments which they are using effectively. Just as savings bank deposits have been swollen by men who have decided safety is better than speculation, sales of life insurance have increased this year.

Ordinary life is the most popular form of policy—9 months' sales, $6,552,079,000 against $6,548,857,000 for 9 months, 1929, an increase of 0.05%. Group insurance, despite smaller payrolls, is 2.1% above 1929. Industrial policies are down 0.2% from 1929. The total sales for all forms of life insurance thus far in 1930 are $9,572,897,000, or 0.2% above the same period in 1929.

New life insurance increases protection for individuals, increases funds sure to be invested intelligently. Life insurance companies have about $105 billions of policies in force; have more than $17 billions invested in high class bonds and mortgages.

Agents have shown great ingenuity in bending the Wall Street débâcles to their uses. They point out the uncertainty of speculative profits, the vicissitudes of business ventures. They relate how many men were saved from being wiped out by borrowing on policies—and they sell new policies to cover these loans still outstanding, so that estates will not be impaired.

The growing problem of old age unemployment is bringing home to younger men an ambition to be able to retire at 55, 60, or 65. Unwillingness in many quarters to employ elderly persons is emphasized by insurance salesmen.

Bank failures through the country help insurance men.

A growing amount of term insurance is being sold. Such policies are not for life, but for a stated term. This is the cheapest form of insurance that can be had. The savings value is nil, but a much higher coverage can be had for the same amount of annual premiums.

Many companies are pushing business insurance, a comparatively new form of policy. This is protective insurance applied to business, and enables a business to protect itself financially against the death of a valuable executive or to be in position to buy from heirs an individual's share so as to keep the concern intact.

The first 7 months of the year saw the best sales. During the past two months sales have lagged slightly. Bulwarked by the arguments that made the year thus far so successful, agents are preparing for the winter.

The larger life companies are continuing their expansion programs, most of which were formulated before the beginning of the recession; are gradually adding to the number of their agents. A few companies, taking advantage of the present favorable period for sales and the number of salesmen out-of-work in other industries, are enlarging sales forces at more than the usual rate. The Penn Mutual advertises that it will have 500 additional agents in the field by the first of the year. Several other companies tell *The Business Week* that they are attempting to get as their agents salesmen who have proved their ability in other lines and now are out of work or are considering changing jobs.

Sins of the Mortgage Bonds Are Visited on the Building Field

Investors Burnt by Past Defaults Shy At Putting Up Funds Needed for Construction

WITH business revival dependent in large part upon pickup in construction, the difficulties confronting building finance command increasing attention. Though funds are pressing for investment in mortgages and a considerable demand exists for such funds, supply and demand are not, in many cases, meeting under conditions that lead to a "deal."

Investment in building and real estate is under a shadow which affects many investors. Past malpractices and a hang-over of serious difficulties have hindered development. A brief review of some of the past abuses now coming to light is essential to an understanding of present difficulties.

Three methods of real estate finance are followed: (1) The mortgage may be purchased by a single investor—individual or institutional; (2) it may be handled through guaranteed mortgage securities, in which case an institution specializing in mortgage security origination guarantees securities issued against the mortgage; (3) a mortgage bond, or the so-called "split mortgage," may be used, wherein bonds are issued against the mortgage. Each method, in the order given, tends to lend more than the preceding one and to yield more to the investor. Competition results. The obvious tendency is for institutions engaged in these different types of financing to bid against each other in the amount to be lent. Though this tendency is accentuated by the desire for business in the present dull period, it is being well restrained. Here arises the more or less justifiable charge of unusual stringency in requirements for loans.

The difficulties in the third field form the greatest problem in the business and have cast a shadow over the virtue of all investments in real estate which has affected many investors. Of $18 billions of such securities outstanding, about $4 billions are in default. Investigation of these defaulted issues has revealed startling facts.

The Old Appraisal Game

Over-appraisal of property to be mortgaged has been perhaps the worst evil. In many states in which almost no restrictions exist to prevent over-valuation the popularity of real estate bonds and the desire for business by originators of such securities have often led to creation of issues against property much larger than could be supported by the income. Cases have been revealed where the amount required for interest charges on the mortgage bonds exceeded by a large margin the income that could be expected to be derived from the property under the most favorable conditions.

Accompanying these defaults have come bondholders' protective committees formed to look after bondholders' interests. "Many have done praiseworthy work," one well-informed individual told *The Business Week*, "but too many have put their own interests far ahead of the bondholders they were supposed to represent. Had trustees always been alert to the interests of the bondholders many of the evils could have been avoided."

Lack of records and inadequate designation of securities has made difficult orderly organization in this field. Issuance of mortgage securities has been a mushroom growth since the war, with almost no organization.

No Splits Wanted

The effect of all these practices upon current real estate financing has been decidedly unfavorable. Many investors distrust the split mortgage, or real estate bond. Chief among these are the institutional investors. With few exceptions, savings banks and life insurance companies want few or none of the bonds. Such mortgages as they cannot take in full they let alone.

There are still other difficulties. Very few properties upon which bonds

International News

A. T. & T.—B. & O.—W. E.

Walter S. Gifford (left, front) president of American Telephone & Telegraph; Daniel Willard (center, front) president of Baltimore & Ohio; and Edgar S. Bloom, president of Western Electric, inspect the new Point Breeze, Md., plant of the Western Electric Co.

are issued give investors any earnings' statements, leave them in the dark regarding financial progress.

Serious lack of marketability greatly hinders real estate securities. Sales are almost entirely "over the counter" with no very centralized counter. Forced sale may necessitate acceptance of a large discount. This lack of marketability limits the value of the security as collateral, since that is a primary requirement of the banks.

Mounting property taxes constitute a nether millstone. Taxes must be paid before income is available for interest payments. And steadily the amounts levied against real property by states, counties, municipalities, and other taxing bodies increase.

Finally, the unstable value of the dollar is of great concern to investors in long-term securities. The lender may find after a few years that his loan in a stated number of dollars has lost all relationship with the value of the property expressed in dollars which fluctuated in value.

3 Ways Out

Three movements now under way may help real estate financing out of its troubles:

(1) The field of the guaranteed mortgage is expanding. Though the reputation of these securities is high, their issuance has, until recently, been largely confined to New York. Now it is spreading. Guaranteeing forces conservatism on the security originator, giving the securities a better base. Institutions doing business in this manner are experiencing a good demand.

(2) Marketability is being sought for real estate securities by organization of the Real Estate Securities Exchange in New York and by a similar group on the Curb Exchange in Chicago. Both have been formed this year and still are in the stage of very humble beginnings. Realization of their program, however, would aid greatly. They aim primarily at marketability, also at organization of records on real estate securities and better designation. They are trying to obtain earnings' statements from properties against which securities are outstanding.

(3) Determined efforts are being made to curb further increases in taxation on real estate. Chief among the protestants are the National Association of Real Estate Boards, the building and loan associations, the security exchanges, home owners' associations. Organized efforts to prevent increases are now being made in many cities.

Bethlehem-Youngstown Decision Will Guide Merger-Makers

THIS week sees the beginning of the final act of the famous Bethlehem–Youngstown Sheet & Tube merger trial. Attorneys for both sides presented oral arguments to the presiding judge and filed voluminous briefs. Final decision on the application for an injunction against the merger is not expected for several weeks or months.

This famous trial has raised issues which have never before been adjudicated and whose determination is expected to have widespread influence upon corporation practices, particularly in merger and consolidation proceedings.

The court fight against the proposed merger has followed two lines of attack; that the merger contract was fraudulently negotiated and approved by Sheet & Tube directors; that the vote cast at the stockholders' meeting was invalid.

Under the first contention, evidence was offered to support the claim that the merger terms, based upon the exchange of 1¼ shares of Bethlehem common stock for 1 share of Sheet & Tube, were unfair to Sheet & Tube stockholders.

Merger opponents charged that Sheet & Tube stockholders were not given sufficient opportunity to consider the advisability or fairness of the merger proposal; that certain pertinent information was deliberately concealed from both directors and stockholders.

Attack on the legality of the vote cast at the stockholders' meeting was directed against proxies alleged to have been: issued by persons who had sold their shares prior to the stockholders' meeting; issued on shares which had been purchased after the calling of the stockholders' meeting; purchased for a consideration apart from the price paid for the shares; signed by persons without apparent authority; issued on shares subscribed by employees under a contract which did not entitle them to a vote; issued by executives, administrators, guardians, and other fiduciaries without proper authority.

Proponents of the merger deny all these allegations; allege in turn that opposition to the merger has been led by Cyrus S. Eaton because he wanted Sheet & Tube for his recently formed Republic Steel organization. They point out that Eaton's relations to the concerns joined in Republic Steel were quite similar to those with other steel interests for which H. G. Dalton is being blamed by merger opponents; that Eaton had financial interests on both sides of his negotiations.

The Business Week—San Francisco Bureau

THE FIRST TRAIN

According to tradition, the builders ride in the first train over the Southern Pacific's $12 million Martinez-Benicia bridge. Formal opening is on November 1. The bridge eliminates the world's largest car ferries, which for half a century have carried whole trains on their broad backs

No Benches

Not a university club lounge, but the opulent main waiting room of the Burlington Railway's new Omaha station. Overstuffed red leather chairs and lounges replace the traditional case-hardened oak

Bus Lines Accuse Railroads Of Exaggerating Competition

Independents Will Tell I. C. C. Only Quarter Of Their Passengers Could Ride Trains

MOTOR bus and truck operation by the railroads and the effect of highway competition on rail revenues will be discussed from every angle at the hearings to be held by the Interstate Commerce Commission in its investigation of motor transportation by rail carriers. First hearing is now scheduled for St. Louis on Nov. 17. The inquiry is expected to postpone for at least a year legislation for federal regulation of interstate bus operation.

The commission will center attention on the 1500 buses now being operated by 66 railroads over 25,000 miles of route. Roads whose bus activities will loom large in the inquiry because of their extent include New York, New Haven & Hartford, Boston & Maine, Pennsylvania, Great Northern, Union Pacific, Southern Pacific, Missouri Pacific, St. Louis Southwestern, Denver, Rio Grande Western, and Santa Fe.

Of special interest to the transportation world will be the gathering of facts, hitherto obscure, regarding participation of railroads in the ownership of transcontinental bus lines. Almost all of the large trunk systems are known to be involved mainly in an effort to protect their passenger revenues.

Indicative of the widespread activity in this field are the major events of the last 4 weeks: Missouri Pacific Transportation Co., subsidiary of the Missouri Pacific Railroad, purchased 2 of the largest long-distance bus lines in Texas; Interstate Transit Lines, owned by Union Pacific, took over 5 lines in Utah and Idaho; Southern Pacific recently acquired a one-third interest in the Southland-Greyhound Lines in Texas, participated in the merger of most of the important long-distance lines on the Pacific Coast into a new organization—the Pacific Greyhound Lines with 667 buses and 8,000 miles of route.

In discussing the effect of bus operation on rail revenues, independent operators will maintain before the commission that the seriousness of bus competition has been greatly exaggerated. In the last 10 years, railroads have lost 16 billion passenger miles of business. In 1929, buses accounted for 10,835,000,000 passenger-miles. "Independents" will assert that the amount of this business which the rail lines could possibly win were the buses to cease operation does not exceed 2,637,000,000 passenger-miles—one-quarter of the annual bus load, one-sixth of the loss suffered by railroads in the last 10 years and only one-twelfth of the present rail business.

Supreme Court Will Rule On Railroad Banking Fees

THE QUESTION of whether banking fees in railroad receiverships, even when not capitalized, come under the jurisdiction of the Interstate Commerce Commission is expected to be decided by the United States Supreme Court in the case of the federal government and the I. C. C. vs. the Chicago, Milwaukee, St. Paul & Pacific which the court will consider.

Concerned in the litigation are the fees paid to Kuhn, Loeb & Co., and the National City Co. when the Milwaukee was reorganized in 1927. It is held by some in banking circles that if the I. C. C. and the government win the case, the reorganization will be effected in its entirety. Bankers involved do not agree with this view.

Britain's Idle Tonnage Finds a Little Work

By Special Cable to The Business Week

WITH nearly 32% of the world's merchant marine, Britain has learned to gauge business volume by activity at the country's shipyards and docks. Such a stock-taking last week revealed figures still gloomy but reflecting some activity.

Idle tonnage tied up in the country's principal ports on Oct. 1 had decreased 3.6% from the figure for July 1, but still was 232.9% greater than on Oct. 1, 1929. Idle tonnage in October has fluctuated violently in recent years: 1927, 273,000; 1928, 415,000; 1929, 266,000; and in 1930, 885,000.

Shipbuilders reported on Sept. 30 that they had under construction 1,116,000 tons, which is 275,000 tons less than the figure for June. A year ago tonnage under construction was 1,447,000.

Sweeping Mergers Centralize Control of Dairy Products

74 More Companies Have Joined Industry's Big 3 In 1930—Many Others Are Combining

CONTINUING unabated a program of unprecedented expansion, greater centralization of control and mass distribution, leading companies in the dairy industry are rapidly creating a nation-wide chain of units, that, when finally completed and operating under coordinated control, will effect substantial economies, promote efficiency.

Substantially the largest in the field at the beginning of 1930, The Borden Co. has been careful to consolidate its position, has led the year's procession by an accumulation of additional units in many places and, with its recent acquisition of Peoples Dairy Co. (Akron), Marin County Milk Co. (Los Angeles), Hutchinson Ice Cream Co. (Cedar Rapids), drops the curtain on the last 1930 act of an exceptionally extensive program, which has brought important American and Canadian companies into its family.

All Branches Covered

Existing successful business concerns in every branch of the industry have been bought, the majority to continue as separate and independent operating units, some to be merged with other Borden-owned companies.

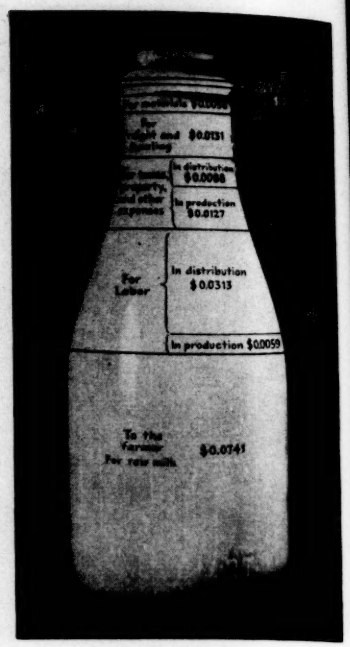
The year's purchases in the fluid milk and cream field include 16 American and 8 Canadian companies. Important expansion in the ice cream field has been accomplished with the purchase of 13 separate companies and 4 subsidiaries, each enjoying a dominant position in its territory. Companies acquired at Montreal and Niagara Falls, Ont. handle milk plant products and ice cream as well.

One of the Borden purchases ends the ice cream career into which Anheuser-Busch, like many another brewery, was launched by the Eighteenth Amendment. This company, which is also active in many other fields, sold its New Orleans ice cream plant some time ago. It has now sold to Borden its interest in the Anheuser-Busch Ice & Cold Storage Co. in New York, where it had built one of the most modern ice cream plants in existence.

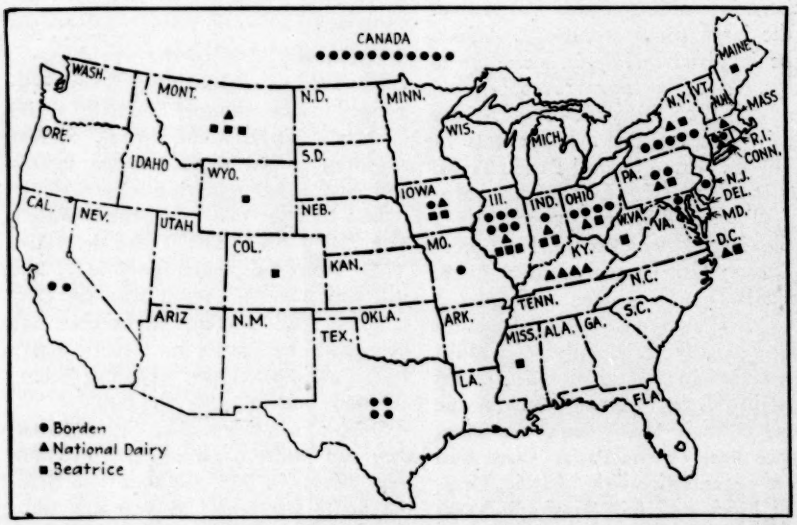
Interesting is the fact that Borden Co's expansion in Canada, particularly its recent purchase of six Ontario units, now brings the number of shares known to be held in Canada well above the 300,000-mark, not far from 10% of total issued.

Similarly impressive is the producing and distributing group of the National Dairy Products Corp., which at the beginning of 1930 numbered 71 subsidiary companies. Since then 14 major companies have been added, among them Kraft-Phenix Cheese Corp. with $86 millions 1929 sales.

In its expansion National Dairy has accomplished considerable diversification of products, and improved facilities for more effective yet more economical distribution. Wholesale and retail selling of milk, butter and other dairy products constitute the major source of volume, but rapid expansion in the long-profit ice cream field is noted, some of the important 1930 acquisitions being in that line. The significance of the Kraft-Phenix purchase with its 24 wholly-owned subsidiaries and 13 controlled companies is found in the opportunity it affords for unusual production economies and complete utilization of raw materials in by-products, while the distributing facilities of National Dairy will make possible more economical distribution of Kraft-Phenix products.



BORDEN'S BOTTLE
How the 16¢ for a quart of milk is spent



BIG THREE ACQUISITIONS IN 1930

The Beatrice Belt

Beatrice Creamery Co., founded in 1891 at Beatrice, Nebraska, has in recent years expanded until in 1929, with over $83 millions sales volume, it became one of the country's largest dairy organizations, controlling 31 creamery, 59 ice cream, 37 milk, 8 cold storage plants located in 96 cities scattered over 19 states from Massachusetts chiefly straight west along a comparatively narrow belt to western Montana.

Definitely committed to a policy of diversification and expansion, this company, since closing its fiscal year Feb. 28, 1930, has acquired further units in each branch, particularly in the East, adding 19 units, including 3 ice plants.

Indicative of intensified competition in the industry is Beatrice Creamery Co's purchase of Liberty Dairy Products Corp. at Pittsburgh, year-old combine of 9 companies, now second largest in Pittsburgh, largest in direct competition being Rieck-McJunkin Dairy Co., a National Dairy Products Corp. unit.

Smaller Companies Expand

Summarizing 1930 acquisitions of the 3 large dairy companies shows that Borden has added 41 new subsidiaries, National 14, Beatrice 19. The full significance of these mergers will not be shown until annual statements have been issued.

Meanwhile, this formidable growth and re-alignment of the "Big 3" superinterests in the dairy industry has not deterred smaller companies from extending operations. U. S. Dairy Products Corp. (Philadelphia), formerly operating chiefly in Pennsylvania, has acquired 15 new units with a combined volume of $8½ millions, now operates in Tennessee, Virginia, Florida, New Jersey, and New York City, and has announced plans for further additions in the South and Middle West.

Western Dairy Products Co., Seattle (Wash.) has added a number of units but is expected to confine its activities to Pacific Coast territory.

Attempts to create more equitable and friendly cooperation between the continually growing large companies and smaller independent units are under way. Fifty groups of independent producers and distributors of dairy products, absorbing the output of 340,000 farms combined in the National Cooperative Milk Producers Federation, will meet with representatives of the large companies in Chicago Nov. 8 to complete plans for dairy stabilization.

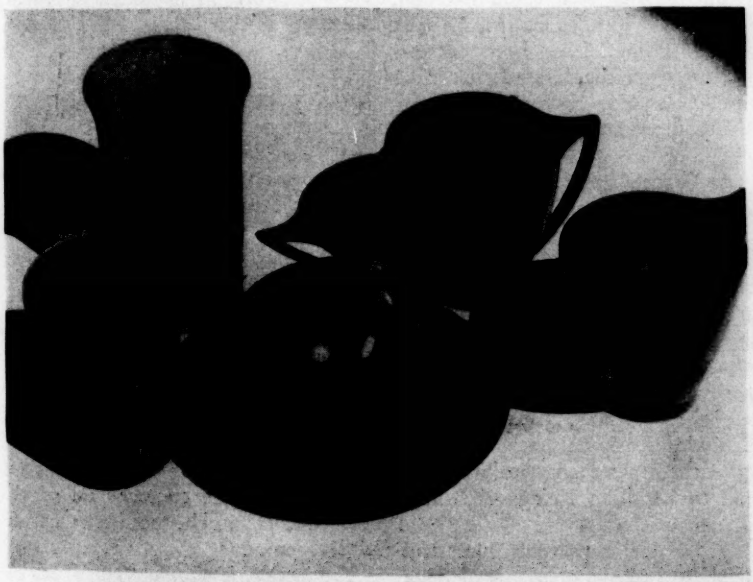
Per capita consumption of practically all dairy products is steadily growing and, since the raw material, milk, is obtainable practically everywhere, large numbers of small dairies and dairy products manufacturers continue to operate in limited territory, recent tabulations listing over 6,400 independent milk dealers, 4,300 cheese makers, 5,000 butter makers, 4,500 ice cream plants.

By-product Becomes Unbreakable Tableware

TABLE- and fountain-ware that looks and feels like fine English porcelain but, unlike it, is practically unbreakable—only cracking if dropped from a considerable height or with great force—is now being widely marketed by the American Cyanamid Co., through its subsidiary, Beetleware Corp. This Beetleware, sold in 10 bright colors and pastel shades with a glossy finish that, if dulled by constant use, can be restored by buffing, is made from a moldable powder, an American cyanamid by-product, fused in chromium-plated molds under tremendous heat and pressure.

The new ware has a special appeal for hotels and restaurants, now averaging one to three replacements of glass and china annually. Soda fountains are interested for the same reasons and because Beetleware's insulating properties are said to keep cold drinks cold, hot drinks hot, for longer periods than glass or china.

At present retail prices—tumblers, 40¢ each; cups and saucers, $1.25 a set—Beetleware is not a competitor for the merchandise of the 10¢ store tableware department, but the manufacturer, who has been selling it direct, since jobbers handling over 75% of hotel glass and china ware are shy of a product that might spoil their regular line of business, tells of a sales volume approaching seven figures in this introductory year.



The Business Week

SHATTERPROOF CHINA

Moulded from powder under terrific pressure and heat, this tableware looks and feels like china. Practically unbreakable, it is expected to make a place for itself in restaurants, soda fountains and institutions where breakage is an important factor

Kelvinator Makes It A Double-Threat

WITH its own line of electric refrigerators sold under exclusive franchise, chiefly through electrical dealer and central station channels, Kelvinator Corp. is launching a second offensive against competition. Its subsidiary, Leonard Refrigerator Co.—for 50 years makers of ice boxes—is now offering "Leonard Electrics" for jobber-dealer distribution.

Priced at $174.50 for a box of 5 cubic feet capacity, $269.50 for a 7-footer, Leonard Electrics claim novel features—25% heavier insulation, chillometer cold regulator, de-frosting switch, extra large cube-capacity with rubber grid for quick cube-release.

Leonard continues to offer its complete line, 16 models, of ice refrigerators, in a wide price range, thus enabling jobber-dealers to supply all demands for home refrigerators.

General Motors Combines Radio, Frigidaire Dealers

ABANDONING its requirement of separate dealer-organizations for unrelated products, General Motors Corp has cleared the way for important sales economies, reduced selling costs, stab-

ilized all-year-round selling effort, more uniform but less costly servicing facilities, through an agreement between its subsidiaries, Frigidaire Corp. and General Motors Radio Corp., which permits the products of both to be sold by one dealer.

Specialty selling of seasonal products demanding trained salesmanship forced dealers and distributors to carry an expensive sales organization through the off-season slack. With the peak of radio and refrigerator season occurring at different times, the usefulness of existing staffs will be doubled by combining sales, efficiency will be increased, prospective buyers of one product can be followed up for both. More dealers will be able to operate at a profit, costly dealer-failures and resulting dealer-changes will be reduced.

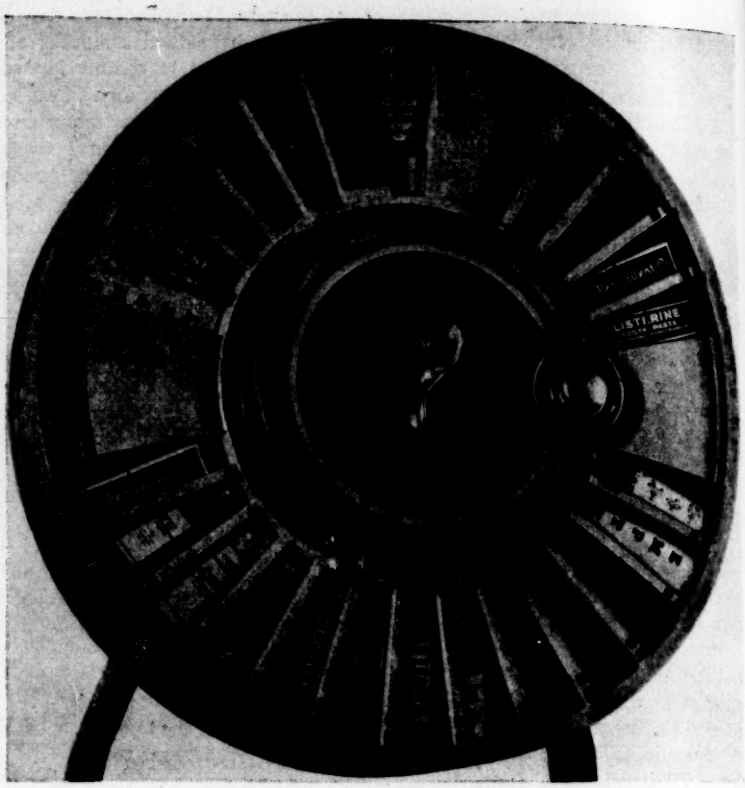
The plan will not be applied universally but only where the general set-up and status of a dealer insures satisfactory representation to both Frigidaire and G. M. Radio.

British Columbia Canners Fight for Salmon Market

BRITISH COLUMBIA'S pack of canned salmon for the current season is coming close to the 1926 record when the pack totalled 2,065,541 cases. This in spite of the fact that, for several successive years, fewer canneries have been operating there.

British Columbia salmon canning—a major industry of the Canadian Pacific province—has reorganized itself. Faced with strong competition from Russia and Japan, it has been compelled to adopt drastic measures to keep its footing in European markets. Smaller companies have amalgamated: the industry is now, to a great extent, in control of a few large concerns, operating only those canneries which can economically be kept open. The uninformed point to many gaunt, empty plants along the Fraser River and in the North as proof of "depression." The knowing quote statistics which show steady progress.

Price-cutting has resulted from a flood of canned salmon from Soviet canneries onto European markets. British Columbian and Washington state canners are meeting this in part by a cooperative advertising campaign. Provincial and Dominion government aid has been promised to B. C. canners in advertising to exploit the home markets. The present price for best grade (Sockeye), $14.50 a case in Vancouver, is $1 a case below that set at the beginning of the season, but it is by no means ruinous.



The Business Week

ROTARY ROBOT

This Snax automatic store displays 24 small items of varying prices, makes change and rejects slugs—always the bane of slot salesmen

Sales Robot Makes Change; Rejects Slugs

CHANGE-MAKING and fraud-detection, two important hurdles in the path of automatic selling, have been successfully cleared in the line of automatic "stores," just placed into production by Snax Automatic Stores, Inc., of Detroit, Mich.

These "stores" are vending machines. A small model, circular in shape, has 24 separate compartments for display and sale of 5, 10, 25¢ specialties and one-price candy and drug store items. A large machine, more conventionally designed, particularly suitable for clerkless chain stores, offers separate display compartments for 28 items such as canned goods, spices, packaged food of all kinds, clearly price-marked; each compartment has a change-making unit, adapted to handling change according to price of article.

A special device prevents successful use of slugs, protects operators of Snax stores against losses.

Effecting substantial savings in space, time, and labor, and with the buying public in many sections already accustomed to self-service in stores, automatic vending will be extended when the necessary equipment provides for change-making and fraud-protection. Centrally owned chains of Snax store units are now in operation at Albany, Lansing, Milwaukee.

The Ice Man Will Read Your Need on a Meter

THE meter system has come to the ice industry. And so has food ice—in cubes, ovals, and figurines, either clear or attractively colored, and flavored or perfumed to fit the day's menu.

Eastern ice manufacturers in their Atlantic City conference this week convinced themselves that they could more effectively meet the competition of electric and gas refrigeration if they adopted a meter system of selling ice. It will necessitate a modern ice chest or the approval of the ice company on an old one. Otherwise, the burden is on the ice companies.

The system is simple. The approved chest will have an unusually large ice chamber, locked, opened only by the ice delivery man. A temperature of 50 deg. F. will be guaranteed and a thermometer in the food compartment of the chest will enable the housewife to

check up. The metering will be accomplished by a dial recording the weight of the ice as it melts.

Unlike old-fashioned ice boxes, the new controlled-temperature refrigerators will not require daily visits of the ice man. They can be iced once a week during the cooler months and will require re-icing 8 or 10 times a month in warmer weather. Food ice will be delivered at the same time and will be available on special delivery whenever requested.

The Milkman Now Sells Bottled Orange Juice

ANXIOUS to increase the diversity of its products and the usefulness of existing distributing equipment, recognizing the growing popularity of orange juice and the ease of combining its distribution with that of fluid milk, National Dairy Products Corporation has organized National Juice Corp. as a subsidiary, closed contracts with the Florida Citrus Exchange at Tampa, for house-to-house selling of Florida orange juice.

Oranges will go from tree to extractors; the juice will be frozen by the Tampa Union Terminal Co., placed in refrigerator cars, shipped to distributing plants; there it will be defrosted, bottled, placed on the milk wagons for door-step delivery, sold through stores handling National Dairy Products' local brands of ice cream.

The Florida Citrus Exchange has made a concession of 10¢ a box for market development activities, while National Juice Corp. has agreed to spend 22½¢ a box for advertising the new plan and product.

First distributing units are being prepared at Rochester, N. Y., Philadelphia, and Memphis, Tenn., while N. D. P. laboratories continue experiments with various methods of freezing, packing, and transporting of orange juice.

Chains Cut Bread Price; Bakers Say They Can't

NATIONWIDE cuts of bread prices to pre-war levels have followed the recession of flour prices to lowest levels since 1896 with standard grades selling at $4.60 a barrel in Chicago, $4.25 in Kansas City.

Great Atlantic & Pacific Tea Co., operating over 15,000 stores, has cut 1¢ from the price of at least one size and type of white bread loaf popular in each city in which it does business. In some cities, this brings an A & P loaf back to the pre-war level of 5¢.

National Tea Co., with 1,690 stores, reduced bread prices immediately following the wheat and flour price drop, will maintain low prices as long as present levels prevail.

Commercial bakers, consuming about 50% of all bread flour, oppose these radical price cuts, maintain that a $3.00 per barrel drop in prices is needed to produce a 1¢ saving in cost, while modern demands for increased milk, shortening, wrapping, and frequent deliveries have increased costs, which, even at minimum levels, prohibit profitable operation at a 5¢ retail price. But they agree that lower prices may help to restore annual per capita wheat consumption—4.26 bushels now—to the prewar normal of 5.30 bushels.

Meanwhile, according to U. S. Department of Labor, retail prices of other foods have increased about 1⅓% since Aug. 15 though they are still 9½% below the comparable 1929 figure. In 48 cities out of 51, the increase has run from ½ to 4%, while in 3 cities there has been a slight decrease. Compared with 1929 prices, all cities show decreases ranging from 7 to 12%.

International News

DOLLAR DAY IN JAPAN

Drumming up trade—quite literally—in Japan's first 1 yen day. American merchandising methods have become popular during the depression. Japanese children seem to like American clothing

Thrift Appeal Success In 20,000-Store Sale

CONDUCTING its annual thrift sale on White Rose food products Oct. 16 to 25 in cooperation with 20,000 retail grocery and delicatessen stores, Seeman Bros., Inc., New York, reports an exceptional public response with dollar volume more than 15% higher than 1929, the previous record year.

Fifty items of canned and packaged foods have been offered at savings against regular prices ranging up to 20%, the reduction being effected through one-price quotations on combinations of 2 or 3 assorted articles, the consumer in each case having the choice of several combinations; tea and coffee are exceptions, have not been offered with other items of food.

Regular prices on White Rose foods have been cut 8% to 10% since the 1929 thrift sale, thus special reductions for the duration of the 1930 sale bring average prices 25% to 30% below regular 1929 levels, making the 15% dollar sales increase more significant, indicating that upwards of 25% more tonnage has been moved.

Most of the company's 20,000 dealers are within a radius of 100 miles from N. Y. City, the balance being scattered chiefly over the eastern Atlantic Coast section.

International News

DETROIT TO CANADA—ON FOOT

Three thousand American Boy Scouts march out from the Windsor end of the new international tunnel. In the background, the towers of Detroit

Detroit-Windsor Tunnel Ready; Third Rival for Heavy Traffic

Ferry, Bridge, and Tube Each Wants Lion's Share of 23 Million Annual Border Crossings

FOR 125 years, Detroit and Canadian towns across the river depended on ferries—propelled first by sail, then by horse tread-mill, then stream. For 60 years, there has been clamor for a vehicular bridge or a tunnel. Within 12 months, private capital has supplied both. The bridge was opened to traffic Nov. 11, 1929. The tunnel will be opened Nov. 1, 1930.

But the ferry survives and fights back. Rivalry will be intensified when the tunnel comes into use. Effect on earnings of all three will be watched narrowly by investors.

Big Money at Stake

The business is big enough to be worth a struggle. During 1929, 11,400,000 persons crossed from Canada to Detroit; approximately the same number went from Detroit to Windsor. The total of crossings along the whole border from Atlantic to Pacific is given as 30 millions. Even though the estimate is probably too low—it is likely 30 millions crossed in motor cars alone—it is plain Detroit–Windsor, with 23 millions, is the busiest international gateway in all the world.

The new tunnel cost $25 millions. It is the first international vehicular bore.

Ferry service dates back to sailboats early in the nineteenth century. In 1825, the "Horse Ferry" was put in service. It was 50 ft. long, 32 ft. wide, propelled by French ponies operating a tread-mill. The Horse Ferry at last gave way to two steam-driven ferry boats, forerunners of the strictly modern fleet.

The Ambassador Bridge and the new international tunnel are direct results of the ferry company's inability to keep pace with the mushroom growth of Detroit and the consequent growth of the younger, smaller Canadian cities. Thousands of factory workers, crossing twice every weekday, make bulk of the traffic.

Until the bridge opened, the ferry company was charging 50¢ a passenger automobile and driver, plus 5¢ for each additional passenger. Trucks paid according to weight, beginning at 50¢. Pedestrians paid 5¢. When the bridge opened, the ferry reduced passenger car fare from 50¢ to 25¢ and began its truck charge at 25¢ instead of 50¢. The ferry company reasoned that inasmuch as the bridge is somewhat off the main route of travel, pedestrian commuters would not be affected.

Ferry Holds Patrons

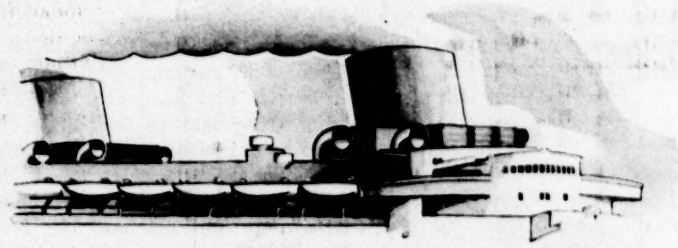
The bridge charges the old ferry rates. The first week-end saw 250,000 person-crossings, among which were 52,000 automobile-crossings. The following Sunday there were 24,000 automobile-crossings and 35,000 pedestrian crossings. The ferry company's reduced prices, however, lured thousands of the automobile driving commuters back to the boats. The ferries have done better, the bridge worse, than many observers expected. Although the tunnel fares have not been announced, it is understood that they will be similar to those of the bridge company, which will leave the ferry company with the lowest fares of the three.

That the tunnel will hurt both the ferry and the bridge can be taken for granted. But from which one will it take the more business? Like the ferries, the tunnel will take its patrons from downtown Detroit to downtown Windsor. But the bridge is still best for those commuting between the west side of Detroit and the west side of Windsor. It is 6 miles from downtown Detroit to downtown Windsor via the Ambassador Bridge, one mile via the tunnel and one-half mile via the ferry. Without doubt, the tunnel will be the fastest. Time between the hearts of the cities will be 5 minutes.

And just in case the bridge and the tunnel decide to lower their prices, it is said in Detroit that the ferries can again cut theirs to as low as 12½¢—and still make a profit. The international commuters view the situation with considerable equanimity.

Machine-Makers Push Work on New Products

WHATEVER may be the opinion of current business, pronounced optimism for the future seems almost unanimous in the metal-working industries. A survey just completed by *American Machinist* and *Product Engineering*, covering



"Sail for Paris immediately"

The export sales counsel for a large automobile concern was suddenly called away on a five-months trip to Europe. He was newly appointed to the position. He had scant time to arrange his affairs.

His personal fortune was tied up in investments that demanded careful supervision. Must he convert his holdings into less variable, and perhaps less profitable, securities? Should he try to follow the market while he was abroad?

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INVESTMENT SECURITIES

manufacturers of virtually every type of mechanical equipment, discloses that 80% of them are doing more work now in developing and improving their products than they did last year; that 99% intend still further to increase these development activities during the next 6 months.

The broad scope of this product development activity is shown by the fact that 93% of the concerns reporting are improving established products; 70% are extending lines, adding new sizes, etc.; 68% are developing new products.

Research Tour Sets New Plans in Motion

THE value of research as a tool of modern business seems assured when it can engage the undiverted attention of some 80 leading industrialists and bankers for 10 days as it has in the National Research Council tour completed last week. From Monday, Oct. 6 until Wednesday, Oct. 15, 3 chairmen of boards, 15 presidents, 16 vice-presidents, 5 bankers, and a variety of other executives and engineers inspected the research laboratories of American Telephone & Telegraph Co., General Electric Co., General Motors Corp., American Rolling Mill Co., United States Air Service, Aluminum Co. of America, Mellon Institute, National Canners Association, and the Bureau of Standards.

The purpose of the tour was to demonstrate the importance of research in industry and to give the business leaders some idea of how research activities are conducted. That it fulfilled its purpose seems to be accepted by all who participated, some of whom are said to be already making plans to organize or extend research activities in their own concerns.

One question which came forward in the minds of many during the tour was: What shall the small concern do? General Motors spends nearly $2 millions annually on its research laboratory and proving grounds, but this tremendous expense adds only $1.50 to the cost of each car produced. Smaller manufacturers wonder how they can hope to compete with such an organization unless, as some expect, independent research organizations develop to such an extent as to make technical service available to smaller concerns at reasonable cost.

Industrial Engineers Flay "Enthusiastic Pessimism"

"ENTHUSIASTIC pessimism is raising hell with business in the United States today" is the considered opinion of the board of directors of the Society of Industrial Engineers after hearing the testimony on "Industrial America" of speakers at the society's 17th national convention at Washington last week. The board believes that fundamental conditions are sound; that there is no excuse for continuation of the present sightseeing trip of business through the vale of despond; that the key log of the jam is unemployment; that, given work to do, workers will buy.

The feature of the convention was a testimonal dinner to Harrington Emerson, a founder of scientific management and the one who has done most in spreading the gospel of industrial and mangement efficiency throughout the world. Although 77 years old, Mr. Emerson is still active.

Construction Contracts Pass 4-Year Average

ACCORDING to the experience of Stone & Webster Engineering Corp. of Chicago, neither the present conditions nor the future outlook for the construction industry are wholly unfavorable. L. H. G. Bourcaren, vice-president, reports that during the 12 months ended August 31, 1930, the volume of Stone & Webster construction business was 35% above the average for the 4 calendar years prior to this one; was 15% higher than 1927, the best previous year.

The uncompleted part of Stone & Webster contracts on August 31 amounted to $60 million, enough to keep the entire organization busy at its present rate for another 12 months.

Pacific & Atlantic

WHAT A 100-TON TRUCK LOOKS LIKE

Being in England, it is called the world's largest lorry. It is so big that it travels only at night. It is so long that it carries two drivers, one up front, and one in the rear. They are connected by telephone

Spain Needs Confidence More Than Financial Aid

By Special Cable to The Business Week

JUST how much confidence the world can have in Spain's rather frantic but successful moves to stop the fall of the peseta is a question. Paris bankers who saw the governor of the Bank of Spain, Carlo Bas, in conference with J. P. Morgan, Gates McGarrah, and M. Quesnay, anticipate a foreign loan, though no move is likely until after Spain's elections on Dec. 21.

Certainly, the fall of the peseta is stopped. From its par value of 5.15 to the dollar, the value dropped in the recent slide as low as 10.11. Recovery by Thursday had brought the ratio to 9.58. Because the gold reserve in the Bank of Spain is definitely known to be 2,475,749,000 pesetas, to which can be added 702,000 silver pesetas, making a metallic reserve coverage on paper circulation of 68.27%, the fall is manifestly due to psychological factors seriously augmented by exchange speculation. Critics pin the unfavorable situation to 3 causes, all of long standing: political unrest against the monarchy; fiscal instability, result of the expensive and unremunerative Moroccan wars, and uncertain administration; refusal of the Bank of Spain to allow the adequate gold reserve to carry out its function of equilibrating exchange fluctuations.

Spain financially is in a position to handle the problem promptly. Business is watching closely to see if politics are as settled as Spain is eager to assure the world they are.

Detroit Considers Plans For Natural Gas Line

ENTRANCE of natural gas into Detroit, a long-awaited event, will come to pass if the plans of the Northern Industrial Gas Co., a joint enterprise of the Moody-Seagraves Co. of New York, the American Utilities & General Corp. of New York, and the Hope Engineering & Supply Co. are carried through.

The firm's petition is now pending before Detroit City Council for permission to use city streets for the 22-inch pipe line which would run from the company's gas fields in eastern Kentucky. The proposed pipe line would be 390 miles long, cost $25 millions and employ 5,000 men in construction. The company claims preliminary contracts with 13 of the city's major manufacturing concerns calling for 44 million cubic feet of gas daily.

If you were manufacturing outboard motor parts such as these, you, too, would use Carpenter Stainless Steel No. 5. For you would find that this special steel, besides resisting both corrosion and wear over a long period, is actually as easy to machine, grind and polish as ordinary screw stock. Those are the reasons why Carpenter No. 5 has been used in outboard motors ever since it was put on the market, and why it is used today in perhaps nine out of ten outboard motors produced.

HERE'S STAINLESS STEEL WITH "TROUBLE" LEFT OUT

CARPENTER No. 5
EASY TO MACHINE
EASY TO GRIND
EASY TO POLISH

A STAINLESS Steel with high resistance to wear and corrosion—yet as easy to handle as ordinary screw stock. A stainless steel developed *especially* for the manufacture of parts and products made on screw machines. A steel whose unusual character and workability have earned a marked preference among manufacturers who watch costs closely. For frequently the total cost of using Carpenter No. 5 is no higher than ordinary steel plus plating.

Are you interested in giving your product the added selling point of permanent polished rustlessness?—then write for samples of Carpenter No. 5 to test.

TROUBLE-PROOF STAINLESS STRIP STEEL, TOO

Carpenter can supply you with stainless strip in any desired grade of straight chrome iron or 18-8 chrome nickel that will draw and stamp with high yield and polish brilliantly. Samples on request.

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Tool and Alloy Steels Exclusively

Carpenter
STAINLESS STEEL

This is the steel that has been widely adopted by the Automotive Industry to replace many plated parts.

Once Lowly Taxi Now Wooed By Great Motor Companies

General Motors' Struggle With Checker Leads It Into Operating Fleets, and Into Other Fights

THE rollicking taxicab, once despised as representing the last subterfuge of machines with one wheel in the grave, is being ardently wooed by the great motor companies. Many suitors have retired with lighter pockets and scratched faces. Of late, interest centers in the rivalry of the two largest manufacturers —Yellow and Checker. Yellow Truck & Coach Manufacturing Co. is a younger son of the General Motors clan. Checker Cab Manufacturing Corp. is Morris Markin.

Forced against their wills into taxi operation, the two big manufacturers have recently come to grips in the New York streets. By a curious twist, severed halves of the original Yellow interests now do battle against each other.

Out of the hurly-burly of Chicago's taxi battles, John Hertz emerged with a company that manufactured Yellow taxis and a second company which operated Yellows. His manufacturing company was annexed by General Motors; Parmelee Transportation Co. got the operating company. At the time General Motors had no thought of running taxis. Just as foreign to Parmelee was the idea of hooking-in with a manufacturer.

Mr. Markin Watches

Most interested as an observer of these proceedings was the above Morris Markin. To every driver Mr. Markin is known as "The Pantsmaker" because of yore he manufactured those indispensable garments.

Shrewd as he is, Mr. Markin is credited with one mistake. Taxi tradition says that General Motors soured on taxi building after they acquired Yellow Manufacturing from Hertz. Overtures were begun with a view to selling Mr. Markin the G. M. business. The price was low—so low that it suggested weakness. Mr. Markin is said to have refused, observing that he would let his rival die a natural death.

He overlooked the fact that deaths are not natural in the General Motors family. From the veins of the mother corporation red corpuscles are available to the anemic. There were transfusions. Presently Mr. Markin and his manufacturing company were face to face with a rejuvenated Yellow manufacturing outfit.

Resulting maneuvers have been highly entertaining. Parmelee acquired the Yellow operating companies in Chicago, New York, Cleveland, Pittsburgh. For a time after the severance of Yellow manufacturing and operating, the Parmelee folks bought Yellow cabs from General Motors. Two years ago Parmelee threw over the G. M. cabs and started buying Checkers.

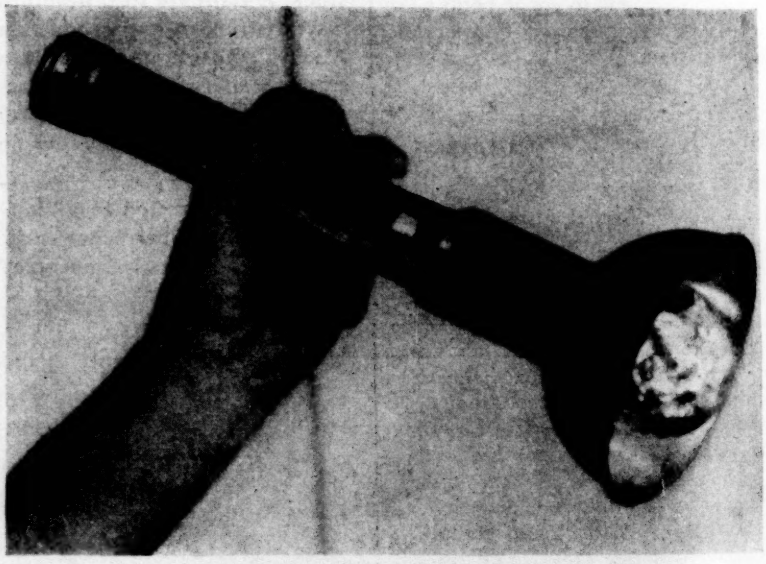
Now, G. M. does not lightly accept a kick in the pants, even if the donor is The Pantsmaker. Its retort was an entrance into the taxi operating business in New York. The attack was made with a company called the Terminal. Immediately it justified its name by taking from the Yellow operators important concessions including the Grand Central and Pennsylvania stations—the latter having the largest taxi business of any spot in the world.

Yellow's protest was registered in court. It charged that General Motors got these fat concessions from the railroads by threats—that being a shipper of huge freight tonnage, a club was used to force G. M. cabs into the terminal stations. The New York Supreme Court exonerated G. M.

In Yellow's home town, G. M. was not so successful. Chicago's 5,000 taxis are operated by Yellow (Parmelee controlled) and Checker (not the manufacturing company, but a close and hard-fisted combination of small owners). Between the two, warfare is continuous and often bloody. When Parmelee began buying its cabs from Mr. Markin, the General Motors company tried to make a deal with the rival Checker group. So far G. M. has failed. But flank attacks have come from other quarters.

Mr. Raskob's Investment

John J. Raskob, astute viceroy of the Duponts in control of General Motors financing, began acquiring stock in Mr. Markin's Checker Cab Manufacturing Corp. His holdings are now said to be 200,000 shares. Denial of this figure has been made. Also a solemn statement that Mr. Raskob acquired Checker stock as an innocent personal investment. But skeptics have indicated the possibility that Mr. Raskob may intend to blast the troublesome Mr. Markin out of control.



EXIT THE SCARED LOOK

Noiseless and smokeless, this photoflash-lamp, developed by Westinghouse, is faster and safer than the old flash-light powder. Aluminum foil, sealed in oxygen, is touched off electrically. International News has instructed all photographers to throw away their flashlight guns and powder, use this instead

New York sees the most interesting phases of the struggle. A commission appointed by Mayor Walker found that the city had too many taxis for profit, suggested that the number be cut by issuance of certificates of convenience, that the city could best be served by a single company or a single cooperative organization of taxi operators.

Independents Seek Sponsor

A group of independents said to represent about 9,000 of New York's 21,000 cabs, went to the Checker Cab Corp. with an offer to cooperate with its companies. Checker was cold. Whereat the independents went to General Motors. G. M. bent a sympathetic ear. Its subsidiary suggested a non-profit company that would cut the cost of operating, including insurance, financing the sale of cabs, and the buying of all supplies. Loud and pained cries were the result. It was charged that G. M. was trying to form a monopoly. There the matter rests—if anything connected with the taxicab business is capable of repose.

But Mr. Markin and his Checker corporation have not been idle. He has obtained control of the Parmelee Transportation Co. (*The Business Week*, Oct. 8). Parmelee is operating in the big cities listed above and is going after companies in three others.

Blame Makers for Ills

Independent cab owners charge that the ills of the taxi business are caused by manufacturers. Capacity is far beyond buying possibilities. Cabs are sold on easy terms to get them off display floors. Phillip J. O'Brien, of the United Auto League, New York, declares that builders have forced as many as a thousand taxis on the metropolis "as a talking proposition in Wall Street"; that the surplus of 25 makes has been "dumped" on New York during the past 5 years.

One sees that there are brands and colors other than Checker and Yellow. Checker is an assembled job. The plant is at Kalamazoo, Mich. Buda motors animate them. Of greater capacity is the Yellow Truck and Coach Manufacturing Co.'s New plant at Pontiac. Its cab is powered by Buick motors.

Auburn entered the field with the Safe-T-Cab but had to retire. Kissel has been in—and out. Paramount—direct lineal descendant of the Luxor which started the luxury idea—is made by Moeller at Hagerstown, Md. Its motors are Continental. The recent entrance of Dodge into the arena repre-

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sents Chrysler's feeler for the taxi business. Many Chevrolets operate as taxis in the smaller cities, but this company has never made a special taxi body. Ford tried it but failed to make the grade.

Ford's experiment was a three-passenger cab. After a court battle Ford taxis charging 15 cents a mile were put on the streets in New York. They withdrew because they couldn't make enough money. Characteristically Ford forced these taxis on his dealers. Where they were unable to sell, dealers organized operating companies. The curses of this somewhat profane business still cling to those Ford cabs. They are credited with having started cut rate wars in many territories.

Specialized Machines

From being an altered passenger car, taxicabs have become highly specialized machines. To withstand constant runing and frequent jolts they must have extra strong bodies, extra-heavy chassis, shatter-proof glass, etc. They retail mileage. They cost around $2,000 each. In an average life of three years, a taxi reels off from 70,000 to 125,000 miles. (The New York investigation showed that of total travel by the average cab only 44% was paid mileage.

A recent development is the increasing number of street car companies which are entering the taxi business. A Mitten taxi company dominates in Philadelphia. In Kansas City the car company controls a big taxi operation. The same is true in Grand Rapids, Mich., and Cincinnati. Street car companies are similarly interested in Minneapolis, Providence, New Bedford, Mass., Tacoma, Wash. The Public Service Corp. of New Jersey, primarily seller of electric power, operates several bus and taxi companies.

$144 Millions a Year

Electric car companies have taken this step as a natural sequence to the bus business. In New York the subways, elevated railways, and surface lines take in $150 millions annually from fares. New York taxis are estimated to receive $144 millions annually, tips included. Here is a vast intake by a disorganized industry which the street car companies hope they can rationalize. Results are not encouraging.

The fact that it is made easy for any person to enter the business makes for too many cabs and no profit. Present trend seems to be toward few companies or monopolies with public-service control.

Coast-to-Coast Air Line Looks To the Short Jumps for Profits

THE attractiveness of transcontinental air journeys to the traveling public will be tested for the first time with the inauguration of regular passenger and mail service betwen New York and California Nov. 1 by Transcontinental & Western Air, Inc. The transportation world looks upon this as the chief significance in the establishment of the new service which follows the award of air mail contracts by the government under the Watres Bill. The award for the central transcontinental route was given to the T. A. T.-Maddux and Western Air Express on their joint bid; later, the two companies formed Transcontinental & Western Air, Inc.

Aviation leaders expect traffic on the new line to be encouraging from the start. Many of them believe, however, that through traffic will decrease somewhat after the first few months, its loss to be more than made up by between-station business. Experts point out that the trip from Newark to Los Angeles will take 36 hours with a night at Columbus, Ohio; that the average traveler will not seriously consider flying 12 hours a day for 2 days in succession. They point to the experience of the railroads that, in proportion to the number of passengers who travel by train from New York to California, those who ride straight through is small. They maintain that, regardless of the great time-saving afforded by the use of the airplane, the majority of coast-to-coast air passengers will do their traveling in easy stages. Naturally, the railroads are hoping this will be the case and are planning to watch the results of the service closely.

Ever since the 1927 boom in aviation the public at large, and particularly New Yorkers, has been waiting for a direct coast-to-coast passenger service. At regular intervals there have been persistent rumors that such a service was soon to be announced. Those who understood the situation knew that the barrier to such an airline was the Allegheny Mountain range; that considerable experience in air transport operation was necessary before a line crossing the Alleghenies could be inaugurated. It is generally recognized that, with the possible exception of one or two air transport companies, T.A.T.-Maddux and Western Air Express have had more actual experience in carrying passengers over long distances than any other air organizations in the country.

Hollywood Awaits Changes Through New Code

FROM Hollywood comes word that very definite changes in motion pictures are in store for 1931. Productions for release early next year will bear the decided imprint of the new production code made necessary by the entry of sound into motion pictures. Under the direction of Will H. Hays, president of the Motion Picture Producers & Distributors of America, Inc., this was ratified last April. Hollywood also expects 1931 to show a decided trend toward comedy and the "great outdoors."

The new code, which in reality is a policy of self-government for the motion picture industry, has been adopted by every member of the organization headed by Mr. Hays, and applies to 95% of the motion picture entertainment of the world "to the end," says Mr. Hays, "that the entertainment, educational, and informative values of the screen shall conform not only to the best standards of the art, but to the wholesome instincts of life."

Supplies Extras

The Hollywood office of the Motion Picture Producers & Distributors of America, Inc. acts as central casting corporation for more than 20 companies and has on file the registration of approximately 20,000 extras. During the 5 years the casting bureau has been in operation, its activities have increased until at the present time more than 3,000 telephone calls per day are handled over its switchboard with 900 per hour during the afternoon rush. It has proved its value not only to producers, but to the many thousands of registered and potential extras, knocking at the door of the movies.

International News

SIGNING THE PAPERS FOR THE COAST-TO-COAST ALL-AIR SERVICE

Left to right are Harris N. Hanshue, president and general manager of Western Air Express; C. M. Keyes, chairman of the board, and Daniel M. Sheaffer, chairman of the executive committee of Transcontinental Air Transport

Rubber Market Sees Advantage In Struggle for Survival

Expects Low Prices to Force Lower Costs, Favor Efficient Producers, Reduce Native Output

European Bureau
The Business Week

WITH rubber selling at 8¢—well below production cost for most producers—it is rather surprising to learn that leaders in the industry are optimistic for the future; look upon the final elimination of restriction plans and return to the "survival of the fittest" policy as offering the best solution of the industry's problems it has had in years. Their reaction helps to explain the comparative calmness of the London market in face of rubber's record-breaking lows.

Basically, their belief appears to rest upon the hope that, with continued low prices, native production of rubber—which bulks large in total output and has always been a depressing factor in the industry—can be considerably limited, while production costs of organized plantations can be be brought down to a point where profitable operation can be obtained at prices unalluring to native producers.

Not a Business

The chief objection to this viewpoint seems to be that to many native producers, rubber production is not a business, but a way of living. They have nothing else to do, their time is valueless; they tap and sell enough rubber to supply their wants and, as in many other fields of tropical and Oriental native activities, the price received for their products has relatively small effect upon their operations. Where production is strictly a family affair this condition is particularly true; in small unorganized plantations, frequently operated by an astute Chinaman under the padrone system, price has somewhat more influence upon operations but still is far less important than it is in highly organized plantations where overhead costs are large and accountable.

Depending upon current price, native output from the Netherlands East Indies varies from 100,000 to 350,000 tons annually. After careful investigation it has been estimated by British, Dutch, and American rubber interests that 8-penny rubber—about 16¢—is the point about which native operations revolve. With higher prices, output tends to increase; when lower prices are offered, it falls off. With current prices about half this now there is, therefore, an optimistic opinion that native output will gradually taper off.

Meanwhile, it becomes necessary for organized plantations to reduce their costs drastically. While there seems no doubt that present rubber prices are abnormally low—brought about by sharply curtailed consumption this year rather than over-production—and may be expected to rise slowly, there is little expectation they will ever reach previous levels, so that producers must prepare to make profits on prices which possibly would not now pay their production costs.

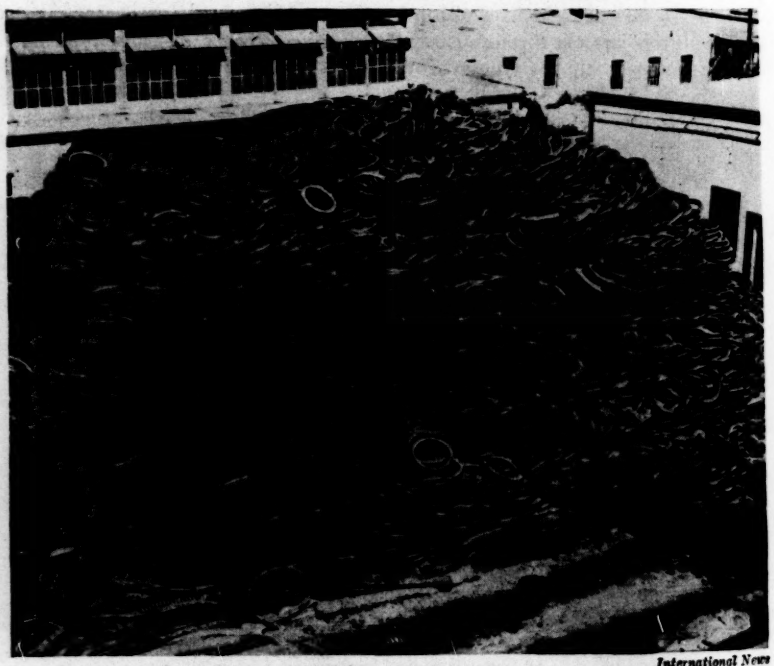
That this is not an impossible goal is demonstrated by Sir Eric Geddes' report as chairman of Dunlop Rubber Co. to his stockholders. In 1928, production from the 70,000 acres of planted rubber lands owned by the company cost 5½d per pound. During 1930, Sir Eric reported, costs have been reduced to 4½d; during the month of August they were 4d and next year they are expected to be still further lowered to 3d a pound.

The London Office of *The Business Week* has analyzed the estimated crop, production costs, and cash resources of some 200 representative rubber concerns and finds that should rubber remain at about its present level for a year all but 26 companies could weather the period.

Must Keep Up Lands

The small units whose existence is threatened will undoubtedly make every effort to live on their cash resources rather than go into liquidation. Rubber plantations are valuable only as long as labor staffs are kept working and the ground at least roughly cropped. Rubber labor once dispersed is expensive and hard to reassemble. Liquidation of present resources of small companies would give little satisfaction to those who have capital in them, whereas if they keep going there is always the chance to recoup on an upturn.

A most interesting phase of the situation has been the evident relief with which British industrialists generally greeted the failure of the proposed rubber restriction plan—beaten through Dutch refusal to cooperate. After a long siege of dependence upon artificial trading measures, British industry seems to be, at last, facing the fact that pros-



International News

TIRED TIRES

Thousands of them make a mountain in this junk yard in Chelsea, Mass. Reclaimed rubber, mostly from tires, constitutes half the rubber made

perity follows closest upon the operations of natural economic laws under which inefficient producers are eliminated and prices fixed by natural demand.

Rubber seems to be headed now in this direction. The Lancashire cotton industry is already on the path; inefficient mills are being liquidated at the rate of 2 or 3 each week. Shipyards are being scrapped through the new rationalizing company, Shipbuilding Securities, Ltd.; other industries and trades are in the same mood for ruthless elimination of uneconomic units. But there are political complications. Reduction of producing units results in increased unemployment, affects many middle-class investors. Whether Great Britain's political structure can stand the strain of these sacrifices in the name of industrial efficiency is a big question. Already organized labor is becoming restive; may cause trouble.

Rationalization within the industry has not prevented continued research leading to expanded uses for rubber. In London and in a few of the neighboring cities experimentation with rubber roads has been attempted. Authorities in London who have watched the sample stretches under various traffic tests are satisfied with the results. Rubber interests, alert to the anti-noise legislation which many communities favor, are preparing to lobby for the introduction of rubber paving on a large scale. The public is curious, the industry eager.

Merchants' Association Covers Wide Field

REPORTING on important activities in many fields, the 1930 yearbook of The Merchants' Association of New York, just issued, shows how such an organization can serve the business welfare of its members.

Typical activities: Its foreign trade division handled 1,665 trade inquiries covering 3,756 commodities; its industrial bureau organized 1,700 establishments in a city-wide industrial safety campaign; its Traffic Bureau condemned the so-called "constructive delivery system," endorsed the "store door delivery" plan (*The Business Week*, Aug. 6, 1930), supported a program for universal freight stations under the Port of New York Authority, the first of which is now being built with lower floors for freight, upper ones for manufacturing; its Research Bureau advised members on building codes, taxation, city transit, street traffic.

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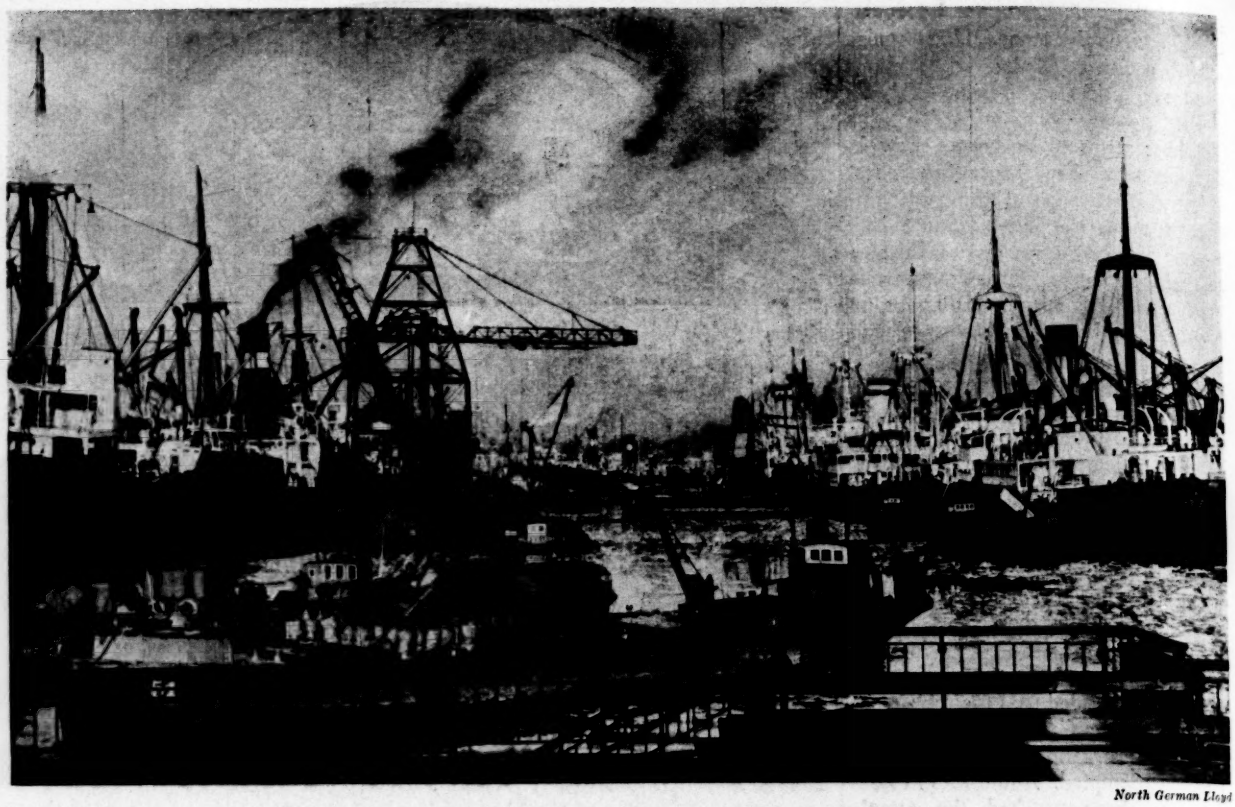

North German Lloyd

BREMEN—EUROPE'S COTTON AND TOBACCO PORT

12,743 ships—17,350,896 tons—tied up at Bremen piers last year. Some 16,343 tons of American tobacco and 2,059,104 bales of American cotton were unloaded. The port's enlargement cost $14 millions by the end of 1929

Bremen Builds Port Big Enough To Handle Our Cotton Crop

Germany's Greatest Construction Project Expected To Complete New Shipping Facilities in a Year

MERGER of Germany's two great steamship lines—North German Lloyd and Hamburg-American—and vast schemes for rationalization of shipping schedules and port-handling facilities have not destroyed the romance of competition in the home ports of the two companies, but it will no longer be destructive.

Hamburg, stout old city on the Elbe, will be chiefly a freight port. Bremen, equally proud, will cater particularly to passenger traffic. But neither line will abandon the other side of its business. Newest plans call for specialization which, in Bremen, has given rise to Germany's largest construction project. Planned in 1923, the work is just now coming to a climax. Tremendous efforts are being made to push through the bulk of the heavy work so that the complete new facilities will be ready for use within a year. Bremen, in freight lines, will specialize on most efficient methods of handling its old standbys—cotton, wool, tobacco, grain, and coffee.

Three items stand out in the Bremen project. The first is the huge Columbus dock, 3,300 feet long and with a draft of 51 feet, large enough to accommodate at the same time the two prides of the North German Lloyd line—the *Bremen* and the *Europa*. This pier is nearly completed.

The second part of Bremen's outer harbor project calls for a new land-locked turning-basin, 1,320 feet long and 800 feet wide, to connect with both the Weser River and the present complex system of land-locked basins. In executing this project, 4 million cubic yards of earth have been removed and 26,000 piles, each 90 feet long, are being driven for the foundations of the new piers, locks, railways, and buildings. To remove the excavated earth and deliver the requisite building material, which will include 34,000 tons of iron, 77,000 tons of cement, and 300,000 tons of building sand and stone, would require 5,788 freight trains which, end to end, would form a solid train stretching from New York to Denver.

A giant lock, which will be larger than any in the Panama Canal but which will not exceed in size the Dutch lock at Ymuiden on the enlarged canal connecting Amsterdam with the sea (*The Business Week*, June 4), is the third part of the project. It will connect the new turning-basin with the river and with existing harbor facilities. This lock will be 1,237 feet long and 1,928 feet wide.

German labor is interested in immediate construction. Shippers and commodities dealers are interested in its eventual effect on handling charges, discharging time, harbor capacity. Lloyd officials, proud of their home port, reveal fresh facts. Bremen now has 27

miles of docking space in 20 docks. To expedite the handling of cargoes 262 revolving cranes capable of handling from 1½ to 125 tons, have been installed. Five floating cranes supplement these. There are in the improved port 40 quay sheds with 750 acres of floor space, 9 new warehouses with 420 acres. Private interests own another 500 acres of storage area. Bremen boasts that a good average American cotton crop of 15 million bales could be stored at one time in the improved port, that discharging facilities have actually unloaded 10,400 bales of U. S. cotton in 7 hours (25 bales a minute), that Bremen has exceeded Liverpool in the annual volume of U. S. cotton handled since 1927. As Germany's first grain market, Bremen has grain elevators which can at one time accommodate 23,000 tons. Eight automatic suction elevators have a capacity of 4,800 tons in 8 hours, can discharge 4 ocean-going steamers at the same time.

Other European ports are watching anxiously these new developments in Germany. Bremen and Hamburg competing against each other were less of a worry. Cooperating on a rationalized program, German competition offers a keener threat to other Old World ports.

Dutch and German Ports Fight for Ford Freight

COMPETITION for Ford freight is causing a heated controversy in the North Atlantic Continental Freight Conference. Rhine freight, always important, has generally been conceded to companies operating through Antwerp and Rotterdam, a 10% differential favoring shipment to the Dutch ports.

When Ford moved his operations from Berlin to Cologne on the Rhine, the Rhine freight arriving by way of the North Atlantic took on new significance. With the 10% differential, Rotterdam and Antwerp were set to capture the prize.

However, lines operating from Bremen and Hamburg now demand that the differential be removed or that a common rate be established for all steamship lines carrying automobiles or machinery for Cologne from North Atlantic ports.

Alternative plans to move freight from Bremen or Hamburg by rail to Cologne are not economically possible. The German railroads grant special rates on exports from the hinterland to the German ports. A rate on imports has never been granted.

All deny a rate war is imminent.

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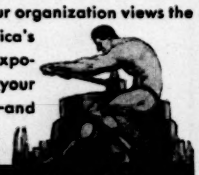

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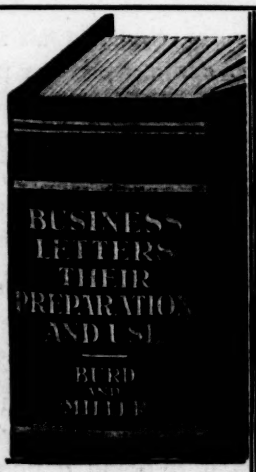

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Wide Reading

FIGURES BEAT GUESSES. R. L. Flett. *Factory and Industrial Management*, October. A system for forecasting production 10 weeks ahead.

NEW DE LUXE CARS. *Electric Railway Journal*, October. Luxurious equipment attaining speeds in excess of 80 miles an hour permits a new type of long-distance passenger service. Street cars challenge the railroad and the bus.

AUSTRALIA ENTERS LEANEST PERIOD AS TARIFF SCHEDULE IS FATTENED. Hugh Croll. *Automotive Industries*, Oct. 4. Apparent expansion of last year fundamentally deceptive because of artificial means used to stimulate markets and attain stability. Duty on carburetors $15 to protect 3 employees of only Australian manufacturer.

THOSE MORGANS. John K. Winkler. *World's Work*, October. Sprightly sketch by the author of "Morgan the Magnificent."

FOUR-FIFTHS OF CHINESE AUTOMOTIVE IMPORTS ARE AMERICAN. J. E. Jacobs. *Commerce Reports*, Oct. 6. American share of trade rises from only 50% to more than 80% in 5 years. Market is expanding.

—SO WE CALLED IN DIRECT MAIL! C. P. Huntington. *Export Advertiser*, October. General Motors used it with satisfying results in Japan.

WHOLESALE GROCERS ATTACK SOME NATIONAL ADVERTISERS. James True. *Sales Management*, Oct. 11. More details in the "private brands" racket.

ADOLF HITLER, GERMAN HYPNOTIST. Harry Lorin Binsse. *Outlook*, Oct. 15. Terse, vivid, broad sketch of the big man in Germany. Brief outline of policies.

ECONOMICS OF BOOK PRODUCTION. O. H. Cheney. *The Publishers' Weekly*, Oct. 4. Mr. Cheney explains that book publishers want him to make a composite airplane and X-ray picture of their business and plan a campaign against the new competition of other industries.

REPORTS—SURVEYS

A BILLION POTENTIAL CUSTOMERS. American Mail Line, 108 pp. Asia needs to be helped to exploit her raw materials if she is to develop into a better buyer—and American machines and brains can help.

NEW YORK, THE EMPIRE STATE. National City Company, 43 pp. Illustrated booklet showing the industrial, commercial, and financial progress of the state, with special reference to its credit structure.

ECONOMIC CONDITIONS IN SPAIN. Alexander Adams. H. M. Stationery Office, London, 65 pp., 2s. Summary of economic situation today with special emphasis on depreciation of the peseta. Of value to exporters.

INDUSTRIAL SURVEY OF TULSA. Tulsa Chamber of Commerce, 92 pp. Charts and statistics for the manufacturer or distributor interested in the Southwest.

MOTION PICTURES IN CHINA. E. I. Way. Bureau of Foreign and Domestic Commerce, Washington. Trade Information Bulletin No. 722, 10 cents. Sound pictures, Chinese production and distribution methods, special demand for silent films.

Bourse Reform Is Key Log In the French Gold Jam

REFORM of the Paris stock exchange, sorely needed, internationally important because it promised to relieve congestion in the Paris money market by stimulating foreign investment of French funds, still seems distant, despite the high resolves of the Tardieu cabinet last spring. Yet so acute is danger of inflation that France listens to proposals for a long-term government bond issue, the proceeds to be stored in the Treasury vault to relieve that glut in Paris—while the world suffers from credit strangulation.

Excepting tax reductions last spring (*The Business Week*, April 30) the fundamental problems obstructing Bourse progress are, as yet, untouched. Most troublesome is that presented by the wartime measure that requires government approval for foreign securities traded in on the Bourse. This is still in force though some gestures were made toward its withdrawal in 1928. It is likely to continue, so tightly does French bureaucracy twine around the economic tissues of the nation, so reluctant is the government to relinquish any prerogative once obtained.

The peculiar difficulty set up by this measure, which effectively bars most foreign securities, is that the French government, even more than most others, lets politics dictate its economics. Furthermore, its approval, under such circumstances, carries an assumption of moral responsibility. And there has been a popular distrust of government-approved issues since French investors have been viewing governmental motives and fitness by the light of their losses on the huge investments in Russia urged on them in those pre-war days when the Franco-Russian alliance was being cemented.

The heavy and multiple taxation on security-trading encountered in France is only slightly less troublesome to the Bourse. Last spring's reductions, which also practically wiped out differences in tax burden between domestic and foreign issues, brought taxes to a level roughly comparable to those met with on other European exchanges, but their multiplicity—6 separate taxes with several subdivisions, in addition to general taxes—is a heavy brake on trading.

Wide World

THEY FIXED THE FRENCH BUDGET

Left to right are Mallarme, Pernot (Public Works), Laval (Labor), Lillaz (Technical Instruction), Premier Tardieu, Dumesnie (Marine), Peret (Justice), and Rollin (Merchant Marine). An actual increase was hidden by a shift of the public debt

When interests behind foreign issues look at the French market they see a 16% to 18% tax on dividends, a ¼% transfer tax on bearer securities, a 1% tax on foreign securities on first official introduction, a 0.05% annual subscription tax on bonds and stocks, a 1% proportional tax on shares if corporate life is more than 10 years, etc., etc. In contrast, they find in the American market only a federal original issue tax of 5¢ a share and state and federal transfer taxes of 2¢ a share. (These rates are on no-par stocks. On stocks of stated par, the same rate applies per $100 and each fraction thereof par value.) The result is that foreign issues are pushed toward New York.

Soviets Triple Orders For Our Machine Tools

WHATEVER undercurrents may be developing in Soviet-American trade relations, American machine tool manufacturers are winning vastly larger orders than a year ago. In a breakdown of total trade for the fiscal year ending Oct. 1, Soviet orders through the Amtorg Trading Corp. for industrial machinery reached a total of $18,279,000. Of this amount nearly $17 millions was for machine tools for the giant Amo automobile plant in Moscow, and for the Stalingrad, Karkhov, and Putilov tractor works. Purchases for the Stalingrad plant made up something more than $5 millions of the total. The bulk of August and September orders, which together totaled $5,154,000, was for machine equipment for the Amo automobile factory.

When 1929 totals are cited, the growth of machine tool purchases in this country is evident. Total purchases last year were $5,948,000, and orders placed in August and September, 1929 totaled only $3,150,000, of which equipment for Stalingrad was the most important part.

Soviet machine tool purchases are not yet completed. Equipment at the Amo plant, eventually to produce annually 50,000 2½-ton trucks, is still being purchased. The Stalingrad tractor plant, though already in production, is not complete; the Putilov plant is being expanded; and the Cheliabinsk and Karkhov tractor plants will require additional equipment. Moscow admits that, of all the industrial projects in the 5-Year Plan, machine-building has fallen farthest behind. Only 44.8% of the schedule has been fulfilled. At this time, the Plan calls for 92.5% of accomplishment.

TRADE PICKUP SIGNS DUE
EUROPEAN TRADE IS MARKING TIME
BUSINESS LEADERS LOOK FOR UPTURN
BUSINESS FRESHET IN COMMODITIES
CHEERING REPORTS OF STEEL OUTPUT
BUSINESS APPEARS SLIGHTLY BETTER
TRADE MOVEMENTS IN EUROPE REVEALED AS MORE CONFIDENT
WEEKLY SURVEY OF BUSINESS
Flashes From The Ticker
Business in Europe Is Still Ailing
WALL STREET

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Editors of many other publications — magazines, reviews, trade bulletins, bank letters, financial services and similar private publications—have also been quick to quote liberally from *The Business Week*.

This demonstrable recognition of editorial merit—an accomplishment in speed, scope, originality, style, dependability and leadership—explains simply why *The Business Week* has succeeded so well in attracting "the most important men in America" as subscribers.

"says the Business Week"

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

RARELY has one week brought a more rapid clearing of real or imaginary economic or political stormclouds.

The parliamentary victory of the German government, though by no means considered final, at least has dispelled immediate anxiety, while the conclusion of the successful ratification of the international credit and the unexpected decision of the coal syndicate to join the price-wage reduction movement has been favorably noted. Where French obstructionism was feared one week ago, it is now rumored that the government is formulating a program of measures to unblock French capital congestion and promote a much needed redistribution of both capital and gold.

Meanwhile the peseta has staged a sharp recovery as Spanish authorities take steps to stabilize currency and probably to resume the gold standard.

German improvement, and the announcement that Brazil will meef the interest due shortly on foreign loans, coupled with a growing belief that the revolution is doomed to exhaust itself, has rallied sagging bond markets, while stock exchanges, which already had been responding to general improvement in the European situation, advanced further on better Wall Street advices. Metal and grain prices have recovered appreciably from the recent lows. Cotton prospects are considered improved on better Indian market advices, while imposing oversubscriptions for recent British gilt edged issues has stimulated the expectation of greater investment activity. Abnormal exchange and gold movements have practically ceased.

The disposition to consider seriously and not unfavorably the German contention that Young Plan revision is necessary appears to be spreading. Bankers who have looked dispassionately at the proposal are inclined to believe it is not only justifiable but economically advisable. It is the concensus of opinion this week, even in Germany, that it is highly desirable to avoid a moratorium because of the unfavorable effect it would have on international credit. Eventual revision may become an effort to bring about a coordinated scaling down of war debts on the plea for economic revival. This is dependent on the attitude of the United States. Small hopes are entertained that Congress will even consider the proposal under present conditions.

The second agrarian conference at Bucharest has struck seemingly insurmountable snags due to the mixed agrarian and industrial nature of the countries involved. Tangible work likely to produce some effect is expected to come from the politico-economic committee appointed to carry out what at Warsaw was termed agricultural rationalization but which the new conference terms a correlation of production and trade.

Europe is surprised but not greatly perturbed over the move by the Soviets to discriminate against purchases in France, Roumania, and Hungary. Purchases in Roumania and Hungary have always been negligible, but orders from France have risen to more than $27 millions a year, are of considerable importance to the French non-ferrous metal industry. The Russian decree encourages non-utilization of vessels, ports, railways, and commercial facilities of the three countries.

By Special Cable to The Business Week

Great Britain—Business remains depressed. The coal industry is running into increasing difficulty in finding market demands to equal production. Iron and steel, jute, and hides are flat. There is some improvement in the demand for cotton goods and raw wool, but none for manufactured wool. The leather trade is brightening.

The more critical observers at the annual automobile show in London noted that the new models were playing up increased comfort features and were priced a bit lower than heretofore. Sales records are not yet known but an apparent decrease in attendance is likely to be felt. For the first time, the show included motor boats ranging from large long distance cruisers down to speedboats and family launches. Business gossip at the show hinted that British manufacturers anticipate stiff competition from Ford when the plant at Dagenham is in production.

The Imperial Conference has already thrown all British political parties into a new state of chaos. Stanley Baldwin, having announced his adoption of the Bennett scheme for tariff preference, has now issued his program which shows that he has retreated somewhat from his first stand. The Tories will go to the ballot favoring national economy, an emergency tariff on manufactures, a wheat quota system at a guaranteed price, anti-dumping measures against foreign fruits and vegetables, and further imperial preferences. As well defined as the program is, the party has not unanimously accepted it.

Pacific & Atlantic

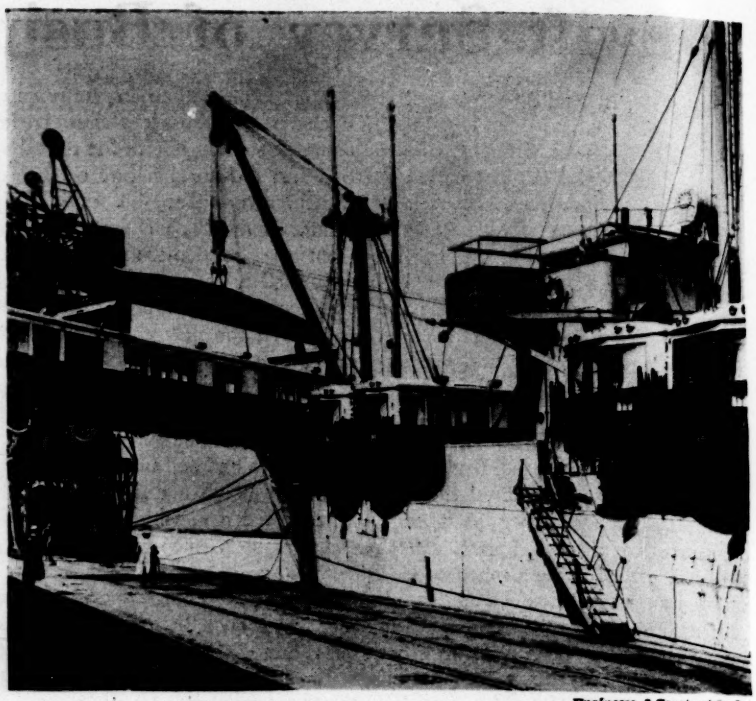
RUSSIA BUILDS HEAVIES, TOO

To supplement the light Ford Trucks already being assembled at the Amo works in Moscow, the Soviets are producing heavy trucks with American (Hercules) motors at Yaroslave. Annual production is scheduled to reach 20,000. The Akron Rubber Reclaiming Co. and Seiberling are assisting in the establishment of a tire plant under construction there

To add further to the chaos which will mark party organization in the campaign is the division within each party. Certain groups, regardless of party, are concerned with the issue of socialism *vs.* private enterprise, while other groups make free imports *vs.* tariffs the issue. The result of the whole is causing serious diversion from the real issues before the Imperial Conference with the result that few decisions of great moment are likely to be reached until Great Britain can fight out the problem in a national election. Just at present London observers are placing odds on the side of the tariff in the inevitable election. Business in the meantime is paralyzed.

The British-Russian debt commission is still working in subcommittee. Russian counter claims, revealed exclusively to *The Business Week*, are said to be $21 billions, all unsubstantiated, against British claims, all substantiated, for loss of cash or goods supplied. Of the $21 billions claimed by the Russians, $6 billions are attributed to loss of profit from communications and transport during the foreign intervention in Siberia; $7 billions to loss of profit from industry, agriculture, fishing and hunting; $4 billions to treasury losses; and $4 billions to miscellaneous losses.

With this development, which is what London expected from the Soviets, the British have given up hopes of coming to any agreement now, and future relations with Russia are very uncertain.



Engineers & Constructors, Inc.

CARS FOR THE BUENOS AIRES SUBWAY

Revolution did not halt the completion of the Lacroze Subway, first modern rapid-transit tube in South America. American capital financed and American engineers built the $20-million project, 5½ miles of double-track completed in the record time of 21 months. Laborers were recruited from 34 nationalities

By Special Cable to The Business Week

France—Slowly declining activity, evident since June, is expected to continue well into the next year, independent of world conditions. The decline is still relative, for unquestionably France is the most prosperous country in continental Europe. Retrogression is, nevertheless, causing considerable domestic pessimism which has been further accentuated by foreign and domestic political tensions. Big business is manifestly retrenching and deferring further investments and expansions and cutting dividends in order to preserve resources against leaner prospects ahead. The grain crop failure is now officially confirmed. Wheat production this year will total only 6,300,000 tons compared with last year's official record of 8,700,000 tons, which, according to private count, ran to 9,500,000 tons. Whereas France last year was able to export nearly 1 million tons, this year it will be necessary to import nearly 2 million tons. Since Algerian crops are likewise short, greater overseas imports are probable.

Prices and living costs continue to rise, notwithstanding the further decline in wholesale values as incoming shipments of gold continue to pile up capital without proper outflow into industry. The weight of taxation is likely to become a major issue before the present phase of the business cycle is completed.

September trade, contrary to expectations, showed improvement both in imports and exports, following the sharp August decline. This is particularly satisfying in the face of increasing domestic prices which limit competitive exportability.

What may prove to be the most significant of any recent development is the outgrowth of conferences between the Finance Minister and prominent bankers who have attempted to formulate measures to unblock the present capital congestion by extending foreign credits and developing acceptance markets for the introduction of foreign securities. The present congestion is not only causing domestic inflation but capital gold shortages elsewhere, especially in Central and Eastern European countries. Given the present extreme conservatism of the French investor and the influence of political upon financial considerations, early concrete results would be surprising.

French aluminum interests, chiefly the Pechiney group, have confirmed the report that, in return for the utilization of French patents by the Soviets in their two new aluminum plants at Leningrad and in the Dnieper valley, the Russians will place all interim aluminum orders with the French. Capacity of the new Leningrad plant will be 5,000 tons; of the Dnieper plant, 15,000 tons.

By Special Cable to The Business Week

Germany—The parliamentary victory of Chancellor Bruening, though no definite solution to the political crisis, is an important milestone in the path toward a restoration of public confidence and financial stabilization. The unexpectedly large support of the Bruening coalition in three decisive votes in the volatile closing sessions of parliament showed the sane support of the Moderate Socialists, who despite their criticism of the government's policies, were unwilling to face the financial chaos and possible civil war which would have been inevitable on the fall of the Bruening government. Another hopeful move was the reference to a special budget com-

mittee of the July emergency decrees. This will give the opportunity for eventual improvement by legislative action of those provisions which were most severely criticized on first consideration. Passage of the sinking fund bill empowering the government to close the $125 millions foreign credit relieves German finance of the constant pressure which this year's deficit has caused. At the same time the appropriation of $100 millions a year for 3 fiscal years beginning Apr. 1, 1931, towards a special sinking fund ensures redemption, at least theoretically, and gradual reduction of the floating debt which, at the end of September, had reached $300 millions. Reichstag adjournment till Dec. 3, leaves Chancellor Bruening a breathing space in which to draft bills embodying a program of stringent economies with redistribution of the taxation burden and public revenue. Though prospects for the ultimate adoption of the entire program are still gloomy, the gain in time is important and may cure Germany of the political fever of the last months which has cost the country over 1 billion marks in withdrawn foreign credits and fugitive domestic capital.

Besides these moves, the short but agitated session of the Reichstag helped to expose the irresponsible demagoguery of the Hitlerites who introduced motions demanding the immediate confiscation of property of "all bank and stock exchange magnates," of all Jews who have immigrated since 1924, in short, of all beneficiaries of inflation. Further, they demand that all large banks become state property and that a limit be set on interest at 5%, including 1% for amortization. These ridiculous proposals, coming on top of the window-breaking episodes in connection with the opening of the Reichstag, are bound to exercise a beneficial sobering influence on industrialists and bankers who financed Hitler's election campaign.

Last week's political developments relieved over-nervous business and caused an all-round favorable reaction on finance and trade. The panicky demand for foreign bills has subsided; exchange rates have returned to normal levels. The Reichsbank statement for Oct. 15 still shows a loss of gold totaling $60 millions during the previous week but an increase of $9 millions in foreign exchange holdings, which indicates that the banks' conversion of gold into foreign bills and checks is now ahead of the receding demand for foreign currency. The Reichsbank has emerged from the second great crisis in its existence (the first came during the conference of experts in Paris in the spring of 1929) still in a strong position, with its gold and gold exchange reserve at $610 millions and with cover on notes in circulation up to 57%. The money market is showing a slightly easier tendency and stock exchanges are buoyant for the first time in weeks.

The situation in the Berlin metal trades strike remains unchanged. Labor steadfastly refuses to accept the 8% cut in wages, though certain unon leaders tacitly admit that labor will have to accept a cut if the industrialists are going to be able to carry out their promise of a 5% reduction in prices. Attempts at conciliation are still in progress.

Price cuts in practically all industries are an important factor in the maintenance of an export surplus. Prices on Ruhr coal will be cut 6% after Dec. 1. Cement and tires have come down another 5%. Sunlight Co., subsidiary of Lever Bros., announces price reductions of 25% and 30% on soap. Ford has cut truck prices 7%; passenger cars 4%.

Consumption of electric current is down. The federal railways show declining receipts. The machine industry is still operating at far below capacity.

By Special Cable to The Business Week

Italy—Business is still hopeful of recovery but actually there is little change. It has been unofficially announced that all obstacles to the emigration of Italian labor will be removed and great benefits to national economy are expected as a result. Unemployment exceeds 350,000, though more than 162,300 workmen are now employed on the public works program.

Shares of Monteamiata, the great quicksilver company, have dropped since September from 188 to 145, but business interprets the drop to a recent capital increase and to overproduction caused by the reluctance of the employers to discharge workmen. Banks are now refusing to finance as formerly Russian raw silk coming into Italy.

Foreign trade reports for the first 9 months of the year have been released, show imports of $685,929,000; exports valued at $474,342,000. These compare with imports for the same period last year of $861,790,000, and exports $583,347,000.

LATIN AMERICA

Gloom over Latin business is less heavy. To support the peso, Argentina has authorized the shipment to New York of $5 millions in gold out of the reserves of the Caja de Conversion.

BE it ever so palatial, be it ever so humble, there's no place like home for walloping one's thumb with a hammer—and who hasn't! Not all of us, however, will get off that easy.

Slipping in the bathtub, tumbling downstairs, stumbling over the children's playthings—such everyday incidents account for two out of every five non-fatal home accidents—while one out of every four *fatal* injuries occurs under the domestic roof.

But why all the gloom? You *can't* help what you cant help! But *you can* Ætna-ize—and make home, *sweet* home.

An Ætna Accident Policy will help keep you on your feet financially—and, of course, provide for the family should the accident prove fatal.

Why not see or phone the Ætna Agent in your community for details? He's a man worth knowing. Tear this out as a reminder.

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ÆTNA-IZE

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Comment by

A. G. Becker & Co.

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Headlines and Values

When Liberty bonds were selling at 85, that was news. Now that they are well over par, the information is found only in the small type of the quotation tables.

Foreign bonds are now making the front page because they are in unprecedented low ground. As confidence in them is restored and their market value mounts, their news value will be gone.

The life of our times as reflected in the news seems to be made up in large part of crime and disaster. Actually we know that such events touch only a minute fraction of our vast population and constitute only an infinitesimal part of day to day activity. So the vicissitudes and hazards of foreign investment are similarly distorted. As a matter of fact, the payment record of foreign loans in this and other markets is unusually good. It compares most favorably with that of other types of investment A recent compilation covering the period since January 1, 1924 discloses only two foreign government defaults, amounting in the aggregate to only a slight fraction of one per cent of the total foreign borrowings in the American market.

Current prices on many foreign government issues are practically on a default basis. Such wholesale defaulting is not likely to occur. It is not likely to occur, first, because the maintenance of good credit is of prime importance to modern governments. Secondly, there is the will and the ability to pay.

When the uncertainties and disturbances largely born of passing economic ills become less vivid, foreign bonds, both government and corporate, will move up substantially in price. Manifestly, they will not long continue to yield two, three or five per cent more than a fair appraisal of their credit position warrants. In our opinion the current situation presents some especially attractive investment opportunities

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This does not mark the reopening of the Caja, closed on Dec. 16, 1929. Because of the low exchange level to which the peso has fallen, it is believed in Wall Street this shipment, and others expected to follow, is sent to cover service on Argentine debts now due.

Less hopeful is the report from Lima of the failure of the Banco del Peru y Londres, oldest bank in Peru. Already badly depressed, Peruvian trade can ill afford the implications of internal financial instability this failure indicates.

Mexico is going ahead with plans to stabilize silver and at the same time provide for the industrial development of the country. According to a scheme announced by the Mexican Ministry of Finance, imports are to be restricted to about $25 millions. All articles which can be manufactured in Mexico are to be protected by a heavy import duty, according to the plan. At the same time, machine equipment for much-needed factories will be admitted duty free.

Brazil—While Europe definitely believes the Brazilian revolution has exhausted itself, American business is less ready to turn optimistic. Despite the fact that $15 millions in gold has been shipped from Rio to New York, and that another £7,500,000 to London, business men in close touch with the situaiton foresee a long period of depression. Though the gold now consigned to foreign banks will more than cover immediate requirements to service outstanding Brazilian loans, and will perhaps be used to cover purchases of war equipment, it is generally known that the Banco do Brazil has been ordered by the government to issue $30 millions in currency. With the country's £10 millions gold reserve removed, Brazil is definitely on a paper basis. While the gold shipments relieve the immediate situation abroad, they leave Brazilian finance in a precarious position.

Foreign trade is destined to move in extremely limited volume as a result of the government's extension of the banking holiday to Nov. 30. While restrictions are to be less stringent than during October, the Banco do Brazil will handle all foreign exchange except for small allowances which will be issued day by day to foreign banks operating in the country and handling an important share of the import and export business. Though the National City Bank is the only American bank operating branches in Brazil, 13 Canadian and European banks operating through branches will have their business seriously hampered by the move.

What the Figures Show

On the eve of renewed governmental effort to cope with the problem of unemployment, and numerous "Buy Now" campaigns, a retrenchment in business activity has appeared with a revival of excessive cautiousness. Our preliminary index of general business activity turned sharply downward to 84.7% of normal, due to declines in both the trade and production series. Steel production, car loadings, and check payments moved to lower levels, though significant increases were noted in electric power, bituminous coal, building construction, and commercial loans. The revised index of the preceding week stands at 87.1% of normal, while a year ago a sharp drop brought the index to 101.4% of normal.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	Latest Week	Preceding Week	Year Ago
	*84.7	†87.1	101.4
Production			
Steel Mill Operation (% capacity)	52	55	80
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$14,364	$13,871	$17,143
Bituminous Coal (daily average, 1,000 tons)	*1,584	1,551	1,955
Petroleum (daily average, 1,000 bbls.)	2,371	2,367	2,903
Total Electric Power (millions K. W. H.)	*1,885	*1,860	1,960
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	159	162	197
Check Payments (outside N. Y. City, millions)	$5,042	$5,483	$6,558
Money in Circulation (daily average, millions)	$4,519	†$4,520	$4,818
Wheat Receipts (1,000 bushels)	6,770	9,988	7,381
Cotton Receipts (1,000 bales)	732	833	996
Cattle Receipts (1,000 head)	*235	233	249
Hog Receipts (1,000 head)	*435	†442	526
Wool Receipts (1,000 lbs.)	9,818	3,034	4,981
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.73	$0.75	$1.21
Cotton (middling, New York, lb.)	$0.103	$0.103	$0.182
Iron and Steel (composite, ton)	$32.14	$32.24	$36.16
Copper (electrolytic, lb.)	$0.097	$0.098	$0.178
All Commodities (Fisher's Index, 1926-100)	82.7	82.9	94.6
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,864	$16,813	$17,397
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,606	$8,545	$9,522
Brokers' Loans, New York Federal Reserve member banks (millions)	$2,613	$2,752	$6,634
Federal Reserve System Ratio	82.1	80.9	74.5
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	12,440	21,076	20,811
Stock Prices (N. Y. Times, average 50 stocks)	$168.47	$173.09	$289.73
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$50,519	$79,651	$64,165
Bond Prices (Dow, Jones, average 40 bonds)	$96.47	$96.88	$92.89
Interest Rates—Call Loans (daily average)	2.0%	2.0%	6.4%
Interest Rates—Time Loans (daily average)	2½-2¾%	2½-2¾%	7¼%
Business Failures (Dun, number)	460	473	359

*Preliminary †Revised

Steel Production and Orders

Continued conservatism is reflected in the persistent downward trend of steel ingot production, which has reached a level of operations estimated by both Dow, Jones and the *Iron Age* at between 52%-53% of capacity against 55% the preceding week. Our adjusted index based on the former estimate declined from 76.8% of normal to 71.5%. Though a normal autumn revival was anticipated in September on the basis of considerable forward ordering, the steady weakness of prices coupled with the general pessimism concerning the immediate business outlook has revived the spirit of caution. Railroad buying this fall has been delayed and sluggish, but some quickening has been reported in the past week not only in rails, but equipment. The Baltimore & Ohio has authorized the expenditure of $4,000,000 for new cars, partly as a means of maintaining employment in its own shops and partly because the road feels confident that future activity will warrant the present expenditure. Rail tonnage for the week totaled 71,000 tons. Structural steel has been stimulated by the large volume of governmental projects and low construction costs, so that awards have maintained a fair volume. Last week's awards of 48,000 tons were the highest since July. Automobile and tin plate demand shows the customary seasonal decline, but the Youngstown district looks for business in sheets and strip steel from the automotive quarters in the near future. Though new buying of finished steel is restricted, the pressure for deliveries on contracts previously placed indicates that inventories are unusually low.

Building construction is maintaining the improved position of September. Contracts awarded in the 37 states east of the Rockies as reported by F. W. Dodge total $220,290,900 for the first fourteen business days of October, a daily average of $15,735,000 against $12,764,000 in September, an increase of 23%. Residential construction, which heralded the rise in general business activity in 1921, continues to exceed the levels first indicated in September. For the first half of October, residential awards were 20% ahead of the daily average of September, while non-residential contracts were 10% ahead, and public works and utilities 42% larger due to a large award for a natural gas pipe line. Our index of total construction, adjusted for changes in costs, seasonal variation, year to year growth, and averaged with the three preceding weeks, rose from 72.8% of normal to 74.8%. In the New York metropolitan area, residential contracts accounted for nearly half of the total awards for the week and 56% of the awards for the first half of the month. The daily average for the first fourteen business days in October exceeds that of September by over 32% and exceeds that of a year ago by over 36%. The prospects for the metropolitan area appear to be

continued improvement in residential construction, particularly in the large apartment house types made possible by real estate development organizations of impressive size.

Coal, Petroleum, Electric Power

Bituminous coal production has moved steadily upward since the low point of July and August, but this usual autumn rise still leaves the daily average output far below that of the past three years. Our adjusted index has risen from 71.1% of normal to 72.2%. While the daily average production of bituminous coal during September was 11.3% above that of August, anthracite showed a decline of practically the same amount. The unseasonable warm weather has seriously affected the output of anthracite, but a sharp increase in daily activity is reported for the first two weeks in October. Continued weakness in gasoline prices in the Middle West as a result of seasonal consumption slackness and large stocks may influence the price of crude which has remained steady since April.

Electric power output has been rising more or less steadily since Labor Day, but the seasonal increase in demand for power characteristic of the fall of the year is little more than half as great this year as last. Shorter days and termination of daylight saving schedules in large cities serve to increase demand for power at this period, but the demand for industrial power which is also a seasonal factor at this time has failed to increase in the usual manner. Our adjusted index of electric power production for the week of Oct. 18, which still maintains a level 5% above 1928, has risen from 95.1% of normal to 96.4%.

Car loadings declined by 17,618 cars from the preceding week, of which 15,743 cars were accounted for in the miscellaneous freight classification. In fact, the decreases in the two major groups of miscellaneous and less than carlot freight were greater than for the total loadings. Our adjusted index, based on these two groups, considered most representative of general trade activity, declined from 83.5% of normal to 81.2%. With the exception of coal, coke, and livestock, each group reported decreases from the preceding week.

Check payments have been moving downward since the first of the month. Our adjusted index, based on debits in 140 cities outside of New York City and averaged with the preceding week, showed a large drop from the high level of 98.1% of normal to 89.7%.

Money in circulation is practically the same as that of the preceding week and our adjusted index for the past two weeks stands at normal. In the past two years the middle weeks of October showed considerable declines before the pre-holiday activity began.

Commodity Prices

Wholesale commodity prices as measured by the U. S. Bureau of Labor Statistics for September strengthened a little to 84.2 compared with 84.0 for the months of July and August. This is the first indication of an increase in the general level of prices since July, 1929. Food, farm products, and fuel increases were responsible for the increases of the past month. Raw materials and finished products firmed, while semi-manufactured articles weakened.

Retail prices as measured by the cost of living index of the National Industrial Conference Board rose nearly 1% over August, but have declined 5% since January and 6% since the fall of 1929 and 1928. The rise in retail food prices of 1.3% in September was largely responsible for the total index rise, but these prices were still 9.5% below September, 1929.

Commodity prices of wheat, corn, cotton, livestock, rubber, silk, and tin, while fluctuating during the past week, are pointing to higher levels. Copper, gasoline, steel scrap, coffee show some weakness. Cash wheat is selling at a premium over December delivery for the first time at this season since 1927, while the spread of less than 5 cents between December and May is the smallest since 1926.

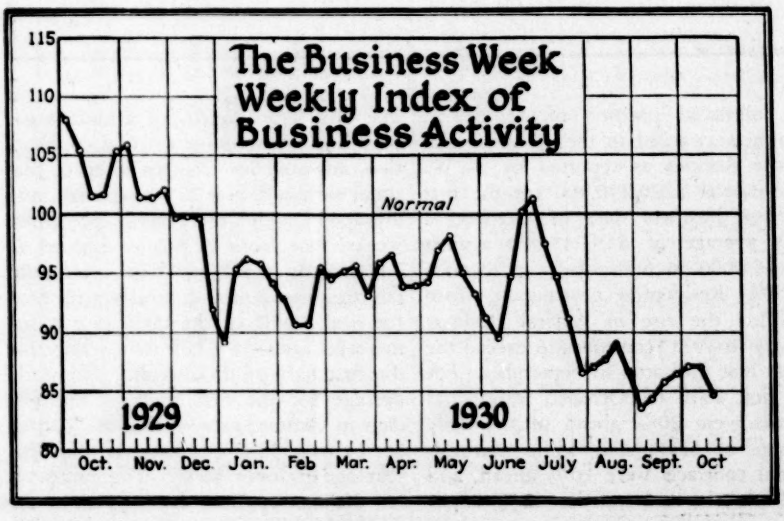
Small hedge selling and steady trade buying kept the cotton market fairly quiet. Cotton spinning in September increased sharply from 65% of capacity to 76%.

Loans and Investments

A slight drop in security loans was overbalanced by a notable increase in the commercial loans account, bringing our adjusted index of the latter to 103.1% of normal compared to 102.2%. Since these loans usually expand after an upturn in general business rather than before, the rise of the past three weeks merits close attention.

Total bank credit as measured by total loans and investments expanded slightly during the week and remains almost 3% above last year due to increased purchases of government and other securities and to increased commercial loans. Our adjusted index of this group stands at 106.1% of normal against 105.6% last week.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.



Money and the Market

STOCKS continue very unsteady after a further decline into new low ground. The unusually wide movements in stock prices day by day, though sales still are small, indicate the thinness and lack of stability of the market. Just as was the case last week, the averages this week have tentatively tested a "bottom." Last week that bottom failed to withstand the succeeding selling onslaught. Time only will tell the fate of the present level.

Most of the latest weekly statistical indicators of business were unfavorable, as our business index records. The net gain in grain markets, the recent persistence with which commodity prices generally have clung to a fixed level, and the rise of commercial loans are the outstanding exceptions.

"Though the market may attain greater stability, a sustained rise in stock prices seems unlikely until distinct betterment appears for business." That, summarized, is the belief of most market counselors.

Industrials at 1927 Levels

The lower stock prices reached this week carried the average prices of industrials to the levels of the autumn of 1927. The railroad division is down to the place where it stood in the summer of 1926. The greatest selling pressure continues to be brought against the blue chips, while greater weakness developed in the rail issues.

Declining prices have reduced the "times earnings" ratio. Present prices for a large number of industrials are now slightly more than 12 times their current earnings, compared with a figure about 2 points higher a few weeks ago. But the earnings declines from last year have been greater than the stock price declines. Thus the present figure compares with about 10 in late November, 1929. The current railroad figure is nearly 15 as against 10 last November. Yields on common stocks have risen with the fall in prices—despite widespread dividend reductions—to 5.03%, highest since early 1927. Some investors note that at just these levels the late bull market started.

Selling Pressure

Selling of stocks this week came from sources generally known. The chief of these is General Discouragement. Further bear operations and the inevitable forced selling due to impairment of margins played their part. The shower of third-quarter earnings statements now descending make poor reading, though theoretically the market already had discounted them.

Little is known of the character of the buying despite varied representations of its origin by differing market interests. Bank customers are the purchasers, not brokerage customers. Brokers' loans have fallen $600 millions in 4 weeks to total $2,613 millions, least since mid-1926. Meanwhile, bank loans on securities to customers have risen considerably, though total bank security loans have fallen as brokers have repaid their loans.

Bank commercial loans have risen seasonally enough to put them in the list of optimistic signs. The total reported by the weekly reporting banks this week—$8,606 millions—is highest since April 23. Investments, likewise, have risen further. These now stand at $6,541 millions, $1,144 millions above a year ago.

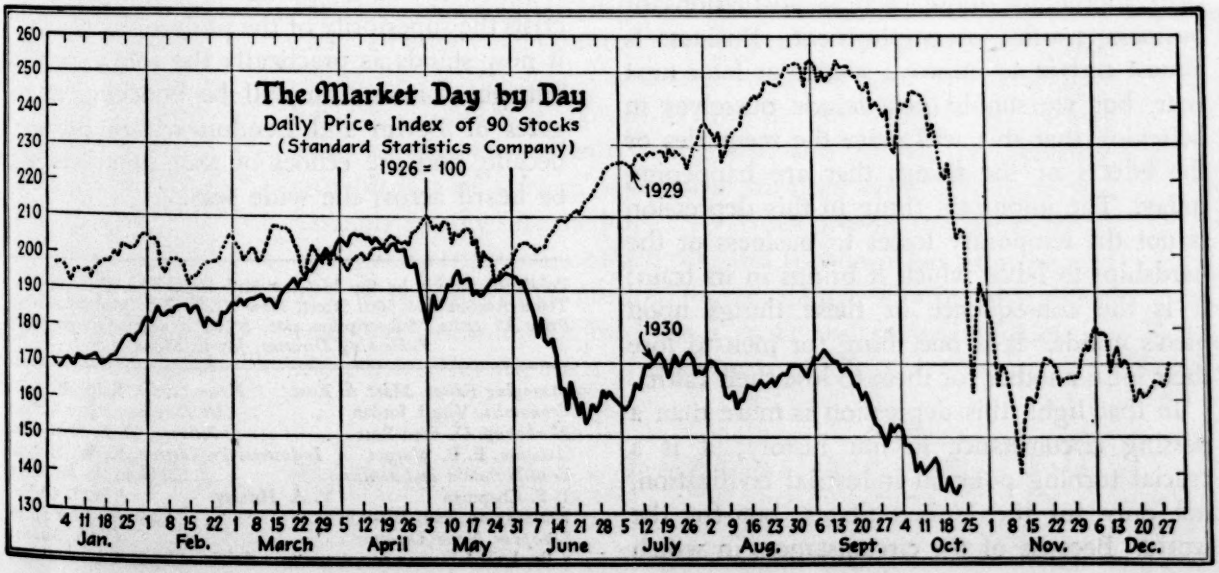
The Federal Reserve banks offered no help, not even what might have been expected from their recent actions. Though the weekly reporting banks, with one exception, were borrowing more than since early July, Reserve credit was further contracted. Every additional indebtedness of the banks to the Reserve system decreases the amount of credit available and tends to tighten rates.

Discounts declined and the acceptance portfolio was permitted to fall off. With the Reserve authorities apparently committed to a status quo policy there is general expectation of some counteracting move within a short time, unless the Reserve system becomes even more deflationary than it has been thus far.

Conferences in France

Abroad, the most significant financial development was the renewal in France of the movement to open the French market for foreign securities and to further the acceptance market. This was brought up in new conferences between the Finance Minister and bankers as reported in our Swift Survey. Significance of reform of the Bourse is discussed in another article.

Such a move is attributed by semi-private advices to the fact that the French gold hoard now has reached 50 billion francs, which was said to be the goal.



THE BUSINESS WEEK

The Journal of Business News and Interpretation

October 29, 1930

The Real Issue

IT IS impossible for business men to form an intelligent and sound judgment about the future without a clearer understanding than is anywhere evident of the nature and significance of the situation in which American industry finds itself today. This is a time calling for extraordinary effort in clear thinking, courageous leadership, and decisive action. Yet, more than in any other depression of the past, there seems today to be among business and financial leaders a curious and disturbing unwillingness or inability to come to grips with the situation and grasp its meaning.

The reactions of the business community to this depression have so far been mainly of two kinds. On the one hand you find the unreasonably, cry-baby pessimism of those who see in it the beginning of a long period of price decline, business stagnation, and painful economic readjustment; on the other, the smug, careless self-assurance of those who feel that it is just one of those inevitable periods of slackness which will pass over and leave things much as they were before.

What is involved in this situation is more than another of those cyclical fluctuations of business, profits, or employment. Business is almost certain to improve sooner or later next year, but we should not delude ourselves in believing that this will erase the memories or the effects of the things that are happening today. The important thing in this depression is not the temporary losses to business or the hardships to labor which it brings in its train; it is the consequence of these things upon men's minds. It is one thing for men to lose their jobs; another for them to lose their faith.

In that light, this depression is more than a passing circumstance in our history; it is a crucial turning point in industrial civilization, not only for the United States, but for the world. Because of the circumstances in which it takes place—far more universal in their scope and far different in their character from any in the depressions of our past—it presents the first and perhaps final challenge to the economic and political systems under which the western world has lived for more than a century and a half. It is not too much to say the philosophy of individual and organized private initiative upon which our business system is founded and operated under the leadership of business men, economists, and engineers who have replaced the kings and statesmen of the past, is definitely on trial today, more decisively than it ever has been before. And because of the dominant position of the United States in world economic affairs and the leadership it has assumed in world progress, this philosophy is meeting its crucial test here for all the world.

Unless this business system, founded on private individual and organized effort, can demonstrate its ability, and unless our business and financial leaders developed by this system can demonstrate their intelligence and determination, to sustain stable progress in this country and maintain and advance American standards of living, vast masses of people in this and other countries are going to consider seriously the possibility of achieving these ends under some other social philosophy and system of economic control. All of Europe has already gone a long way toward state socialism in one form or another; Russia the whole way. Unless the United States can effectively resume its leadership in world economic affairs and demonstrate by its own success in meeting this crisis the superiority of the philosophy of which it now stands as practically the sole exponent, outright communism will be knocking at the gates of Berlin and London within the next decade, and the echoes of that summons will be heard across the wide seas.

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